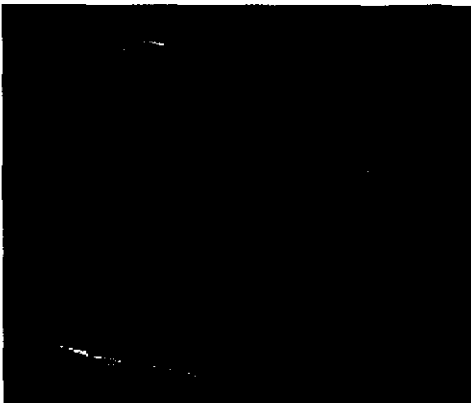
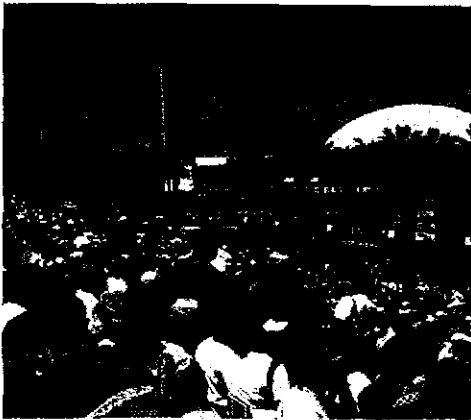


City Service Area Community and Economic Development



Mission: *To manage the growth and change of the City of San José in order to encourage a strong economy, ensure a diverse range of arts, cultural and entertainment offerings, and create and preserve healthy neighborhoods.*

San José's continuing transformation as the largest city in the world's most important region of innovation and technology presents three major long-term challenges to the City. The first challenge is to sustain a vital local economy despite growing competition from high-quality, lower-cost regions nationally and globally. The area's ability to create jobs for San José residents and revenue for City services depends on the health of "driving industries" – those that serve outside markets.

Revenue generation is both a key long- and short-term concern. Since City income from most sources has fallen with the slowed economy or not kept pace with rising costs, maintaining small investments in this area will help the City avoid continuing reductions in services in other City Service Areas.

Growing the arts and cultural amenities of San José is the second challenge. The vibrancy and quality of San José's arts and cultural offerings not only contribute to a strong economic base, but help define an environment that make San José a desirable community in which to live, work, and play.

The third challenge is to meet the evolving expectations of business and residential communities regarding safety and conditions in their immediate area. This includes providing services that enrich neighborhoods, ensuring an adequate supply of housing, creating a sustainable business environment for growth and expansion, and governing so that City strategies and decisions are open, consistent, and understood.

The City's development service providers are working to make negotiating the development process easier and more predictable for both regular and one-time customers. Specific attention is being given to improving the process experience of single-family homeowners and small businesses. Fee changes and service level options were reviewed with representatives of the development community.

Affordable housing and code enforcement efforts are now shown in the Neighborhood Services CSA though they continue to participate in the Community and Economic Development (CED) CSA.

Primary Partners

Convention Facilities
Office of Economic
Development

Fire

Planning, Building & Code
Enforcement

Public Works

Redevelopment Agency

CSA OUTCOMES

- Strong Economic Base
- Diverse Range of Events, Arts and Cultural Offerings
- Safe, Healthy, Attractive, and Vital Community

City Service Area
Community and Economic Development
BUDGET SUMMARY

Budget at a Glance

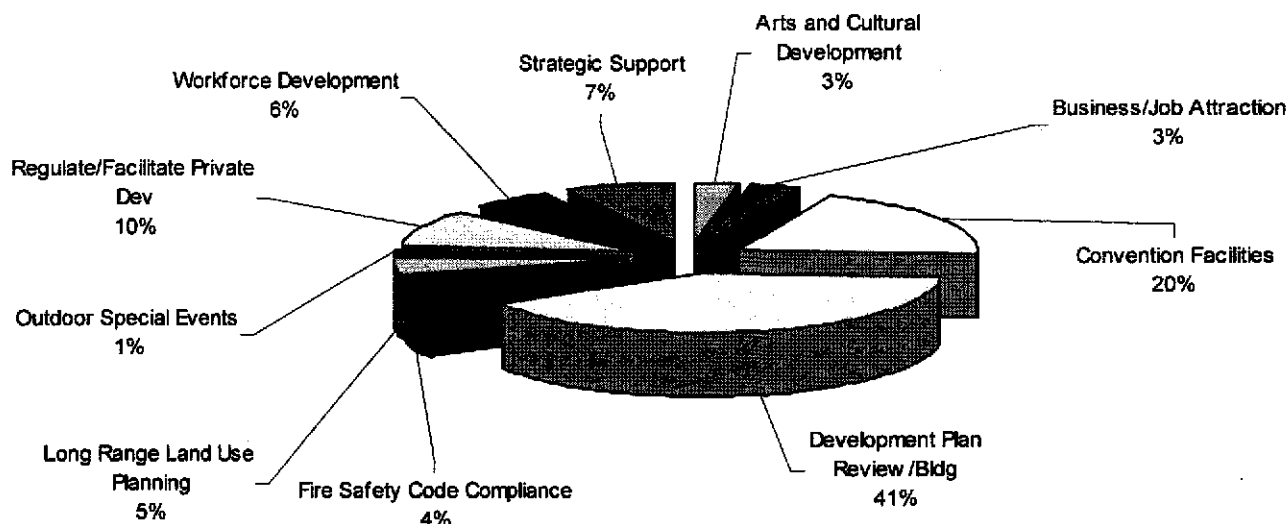
	2005-2006 Adopted	2006-2007 Adopted	% Change
Total CSA Budget (All Funds)	\$100,942,646	\$113,791,643	12.7%
Total Authorized Positions	474.91	512.10	7.8%

Budget & Performance Highlights

- Investments were approved to aggressively implement the Economic Development Strategy including San José State University initiatives; museum/cultural growth; attraction and retention of businesses; and diversification of the economic base.
- Convention facility activities should contribute to achievement of the City's economic development goals through the performance-based operating agreement with Team San José.
- Inclusion of the arts and cultural development core service of the Office of Cultural Affairs within this CSA will encourage the community and economic development potential within that core service.
- A Cultural Development Strategy will be developed in partnership with the community, to guide the City's future investment in the arts and cultural activity of San José.
- A Public Art Master Plan will be completed in 2006-2007, to provide the policies and process framework for enhancement of the City's public space environment.
- Implementation of the updated Vision North San Jose, updated Downtown Strategy, and revised Transportation Level of Service Policy should encourage increased business activity, housing development, and enhanced quality of life for residents by balancing the City's goals.
- The Workforce Investment Network Program will continue to offer universal services to all clients, and intensive services will be maintained at their current levels. The One Stop configuration will be changed for improved customer service and lower cost.
- The City continues to perform at the top of its class in housing production, receiving an "A+" from the Bay Area Council in its December 2004 Bay Area Housing Profile Report. For the five-year period 1999-2003, the City produced over 18,200 units, which exceeds 100% of its Regional Housing Needs Determination.
- The Coyote Valley Specific Plan should be completed in 2007.
- The Evergreen*East Hills Vision Strategy should be completed in 2006.
- Efforts to improve customer service in a predictable and timely development review process will continue emphasizing a facilitation approach and coordinated "one-voice" service delivery.
- The ongoing dialogue with development customers to set service goals and budget levels, resolve concerns, and set priorities for continually improving the development process and customer service will continue. These discussions helped shape a balanced fee program budget package with clear cost/service impacts.
- Affordable housing and code enforcement efforts are now included in the Neighborhood Services CSA. Staff from these groups continues to participate in the Community and Economic Development (CED) CSA, where their issues correspond to the revised CED CSA's outcomes.

City Service Area Community and Economic Development ***BUDGET SUMMARY***

2006-2007 Total Operations by Core Service



City Service Area Budget Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Forecast 3	2006-2007 Adopted 4	% Change (2 to 4)
Dollars by Core Service					
Arts and Cultural Development	\$ 1,320,402	2,253,027	2,088,894	1,946,835	-13.6%
Business/Job Attraction	1,527,495	2,127,237	1,689,538	2,194,141	3.1%
Convention Facilities	11,277,332	11,631,336	12,740,792	12,740,792	9.5%
Development Plan Review/Bldg	21,359,746	23,435,587	24,975,395	26,311,371	12.3%
Enhance Quality & Supply Hsng*	N/A	N/A	N/A	N/A	N/A
Fire Safety Code Compliance	3,775,495	2,165,079	2,439,851	2,799,000	29.3%
Initiate & Facilitate Public Facil*	N/A	N/A	N/A	N/A	N/A
Initiate & Facilitate Private Facil*	N/A	N/A	N/A	N/A	N/A
Long Range Land Use Planning	2,363,786	2,480,630	2,766,793	3,062,614	23.5%
Outdoor Special Events	389,791	711,753	727,840	826,707	16.2%
Promote & Imp N'hood Impvts*	N/A	N/A	N/A	N/A	N/A
Regulate/Facilitate Private Dev	7,167,357	5,416,247	6,020,013	6,455,358	19.2%
Workforce Development	2,299,507	2,046,462	3,554,071	3,750,941	83.3%
Strategic Support**	3,614,183	4,456,568	4,541,974	4,837,914	8.6%
Subtotal	\$ 55,095,094	\$ 56,723,926	\$ 61,545,161	\$ 64,925,673	14.5%
Other Programs					
City-Wide Expenses	\$ 22,750,695	32,783,731	21,739,965	26,284,371	(19.8%)
Gen.Fd Cap, Trans & Reserves	307,900	11,434,989	4,850,000	22,581,599	97.5%
Subtotal	\$ 23,058,595	\$ 44,218,720	\$ 26,589,965	\$ 48,865,970	10.5%
Total	\$ 78,153,689	\$ 100,942,646	\$ 88,135,126	\$ 113,791,643	12.7%
Authorized Positions**	475.68	474.91	482.90	512.10	7.8%

* The San José Redevelopment Agency (SJRA) Core Service budgets are not part of the City's Operating Budget.

** The Strategic Support and budget authorized positions total only include SJRA positions that are funded in the City's Operating Budget as displayed in the City departments section of this document.

Community and Economic Development

FIVE-YEAR BUSINESS PLAN

Current Position How are we doing now?

- The Getting Families Back to Work/Economic Development Strategy effort has spawned over 160 projects in 15 strategic areas. Key initiatives include retail; the development process; communications; sports teams, events and facilities; Airport service; museum/cultural growth; San José State University; and business attraction and retention.
- Long-range planning projects are underway including the Coyote Valley Specific Plan, the Evergreen*East Hills Vision Strategy and the North San José Development Policy.
- Six high profile signature events are coming to San José next year: the 2006 Grand Prix, the inaugural ZeroOne San José: Global Festival of Art on the Edge, Tour of California, Rock 'n' Roll Half Marathon, San José Cycling Classic and the 2007 NCAA Men's Regional Division I Basketball Tournament.
- City grant funding for non-profit arts and cultural organizations has reversed a decline, though key charitable contributors, Knight Ridder and the San Jose Mercury News, have ceased their support.
- During the year 17 companies with 35 projects utilized the Special Tenant Improvement Program, building over 1.4 million sq. ft. of driving industry space and creating an estimated 2,500 jobs from January 2005 to December 2005.
- The development fee program partners (Building, Planning, Public Works and Fire) are working to improve performance and take advantage of co-location and collaboration opportunities in City Hall. Consultation with the development community regarding service levels and cost recovery fees continued in the 2006-2007 budget process.
- Total construction valuation in 2005 was flat (\$809 million), and marked the fourth consecutive year of below average development activity levels. While commercial and industrial development are above their lows in 2003, residential development has fallen approximately 30% due to a decline in multi-family housing.

Selected Community Indicators What external conditions influence our strategies?

- Very modest job growth has returned to Santa Clara County with 7,500 jobs being added over the past year. The area has not, however, recovered more than a small fraction of the more than 200,000 jobs lost since the height of the economy in late 2000.
- Combined Office/R&D Vacancy Rate: 21% in December 2005 compared with 3.5% in March 2000.
- In 2005, San José housed 54% of the population in Santa Clara County but had only 40% of the County's jobs.
- In December 2005, 18% of households in San José could buy a median priced home, down from December 2005 (21%). The median priced San Jose home in February 2006 was \$710,000, a 10% increase from the prior year.

Trends / Issues / Opportunities What developments require our response?

- San José faces aggressive global competition to maintain its position as the world's leading concentration of technical talent and innovation.
- Allowing updating of industrial buildings and intensification of office, R&D and housing development in North San José will provide substantial job growth and increased revenues. Obsolete facilities no longer address driving industry needs. New development proposals will require additional City development review and facilitation.
- Lower rents, higher vacancies, large land reserves, and an excellent talent base make the area more attractive to business expansion. Major opportunities include the development of Coyote Valley, the continuing development of Edenvale, and projects like Hitachi.
- Augmented revenue generation work in retail and sales tax distribution can help address ongoing revenue shortfalls.
- The continued lack of housing priced at rates within reach of many residents poses social and economic problems. Housing growth continues, but overall zoning and permitting activity is significantly lower than in previous years.
- 3,000 new housing units in greater downtown over the next five years will add tax revenue and support retail growth. 12 high-rise projects representing 2,400 units are under construction or in the planning process.
- Biotech incubation will position Edenvale to capture additional biotech, life sciences, and nanotech companies.

City Service Area
Community and Economic Development
FIVE-YEAR BUSINESS PLAN

Policy Framework *What policies guide our strategies?*

- City of San José 2020 General Plan
- "Getting Families Back to Work" Direction (2003, 2004, and 2005)
- Economic Development Strategy (2003)
- "Counter to Council" (2005)
- "One Voice" Economic and Neighborhood Development (2003)
- Framework for Evaluating Proposed Conversions of Industrial Lands (2004)
- Downtown Strategy, prepared by the San José Redevelopment Agency (2000)
- 20/21 A Regional Cultural Plan for the New Millenium (expires mid 2007)
- Airport Public Art Master Plan (2005)
- Adopted Strong Neighborhoods Initiative Plans
- North San Jose Development Policy (Update 2005)
- Updated Transportation Level of Service Policy (2005)

General Plan Alignment

Adopted by the City Council, the San José 2020 General Plan sets forth the vision of San Jose, reflecting the community values of residents and business owners. It is a long-range plan identifying the location and intensity of land uses, character of future development and existing neighborhoods, and the overall quality of life of the San José community.

There are no specific service level goals stated in the General Plan for the CED CSA. However, all work of the CED CSA contributes towards the General Plan's overarching goals of facilitating economic development, creating municipal revenues to pay for City services, creating housing for all income segments of the community, revitalizing Downtown, and maintaining and enhancing the City's overall quality of life.

In addition to the General Plan, the CED CSA's business plan is guided by several other policy documents as listed above, including the Economic Development Strategy, Airport Master Plan, North San José Development Policy, and Downtown Strategy Plan. All of these documents are consistent with the General Plan, providing a greater level of detail as to how to achieve the goals set forth in the General Plan.

Community and Economic Development

FIVE-YEAR BUSINESS PLAN

Key Strategic Goals & Objectives *Where are we going?*

This CSA generates revenues for the City through its business attraction/retention efforts and event recruitment, as well as its facilitation of private development. This CSA is responsible for a continuum of services from long-range planning and development review to programmatic implementation aimed at job creation/retention/expansion; housing development; convention and visitor services; arts, cultural, and special event support and development; and overall quality of life in San José's diverse neighborhoods.

Outcome 1: Strong Economic Base

- **Implement the San José Economic Development Strategy** – To renew opportunity and prosperity for residents and continue revenue growth for City services through expansion of the economy, the City of San José adopted its first-ever city-wide Economic Development Strategy in fall 2003. The Strategy provides a broad vision of the City's economic future and recommends 15 initiatives that build on San José's strengths and the immediate steps that the City is taking to improve the business climate as a result of the Getting Families Back to Work effort. It reinforces San José's identity as the Capital of Silicon Valley through the use of technology and enhancement of its entrepreneurial environment. San José's role as a creative community and global business gateway will be an important element in positioning San José as the world's most livable big city. Successful implementation of the initiatives will require a community-wide effort by public, private, and non-profit sectors.
- **Strengthen Festivals and Events** - Through collaborative outreach and other tools, this CSA seeks to attract new special events to San José such as the Amgen Tour of California, the ZeroOne San Jose: Global Festival of Art on the Edge and International Symposium of Electronic Arts, and the Rock 'n' Roll Half Marathon - bringing regional, national, and international attendees. Focused incentive grants and an RFP for event development will bring new events to City Hall Plaza and Rotunda and raise San Jose's profile. A collaborative effort is underway to strengthen the economic impact of Summer 2006 events by encouraging Downtown business integration.
- **Leverage Relationship with San José State University and Other Community Partnerships** – The City's relationship with SJSU and other local universities as well as other important community partnerships, such as Silicon Valley Economic Development, the Entrepreneurial Center (E-Center) First Act, Artsopolis, and the various Chambers of Commerce. These partnerships represent a tremendous opportunity to drive economic impact and strengthen the community. Current activities include joint planning to determine appropriate land uses and shared opportunities in the South Campus area, a pilot Homeownership Program for new faculty at San José State University, integration of downtown wireless Internet access, placement of identification banners on the perimeter of the university, and the Public Sector Career Initiative. Many of the other partnerships involve support services to a diverse range of business, providing technical assistance, professional development classes, mentoring relationships, and specialized workforce training programs.
- **Facilitate Development** – A significant factor to capturing local business expansion is the ability to provide companies with assistance through the complicated and dynamic development process. Ongoing improvements to the development process combined with direct assistance of key projects will help San José retain and attract job- and revenue-generating companies as the economy recovers. City Hall holds the City's Small Business Center, designed to provide the additional assistance these companies need.
- **Clear and Current Land Use Policies** – Long-range land-use planning is necessary to guide housing, economic development, downtown revitalization, neighborhood preservation, open space and natural resource protection, and to create public facilities and services. In addition to the City's ongoing efforts, this is also being achieved through the completion of several major efforts in the next two years, including the Coyote Valley Specific Plan, Evergreen*East Hills Vision Strategy, and implementation of the updated Vision North San José policy. By the end of the five-year period, the City should complete a comprehensive update of the General Plan with extensive community involvement. This strategic goal addresses all three outcomes in the CED CSA.

City Service Area
Community and Economic Development
FIVE-YEAR BUSINESS PLAN

Key Strategic Goals & Objectives *Where are we going? (Cont'd.)*

Outcome 2: Diverse Range of Events, Arts and Cultural Offerings

- **Preserve Core Programs** - Despite a reduced General Fund, core programs that directly serve arts organizations are being preserved. A projected increase in 2006-2007 Transient Occupancy Tax revenues will result in increased available funding for arts operating grants, arts project grants, and events grants.
- **Strengthen Emerging Arts and Cultural Organizations** - Technical assistance is extended to San Jose arts organizations, with an emphasis on emerging, culturally-specific groups, through a variety of programs - the Neighborhood Arts Development Center incubating three groups at Hoover Community Center; founding sponsorship of the annual Emerging Arts Showcase; and organizational development grants and scholarships for specific capacity-development projects. Due to General Fund funding constraints, a portion of these activities were reduced, however, at the recommendation of the Arts Commission, the City Council approved the use of Transient Occupancy Tax revenues to continue the remainder of the programs.
- **Enhance the Built Environment** - Through development of a new five-year Public Art Master Plan, the City will partner with supporting constituencies (artists, community, capital project managers, policymakers) to incorporate public art and art planning into the City's urban design plans, regional infrastructure and transportation; broaden the communities that public art services; and encourage community-based public art initiatives.
- **Cultural Development Strategy** - With the 2007 expiration of the *20/21 Regional Cultural Plan for the New Millenium*, development of a new strategy will commence. Broad strategic goals may include: 1) leveraging the City's investments in the arts, including facility development, to position San Jose as the creative and cultural center of Silicon Valley, and 2) supporting the interrelationship of the arts, education, and innovation.

Outcome 3: Safe, Healthy, Attractive, and Vital Community

- **Predictable and Financially Stable Development Process** - The 5-year goal for the development process is to make San José the best place in America to do business through:
 - ❑ Establishment of a predictable and timely development review process by emphasizing a facilitation approach, providing seamless "one-voice" service delivery, and updating the General Plan;
 - ❑ Achievement of financial stability and full cost recovery for the development fee programs by implementing a development services enterprise fund, adjusting hourly rates annually for changes in staff costs, and performing periodic cost of service analyses;
 - ❑ Expanding provision of enhanced service options at a premium fee for customers requiring expedited service; and
 - ❑ Continually improving the process and customer service through an ongoing dialog with development customers about their concerns and priorities.
- **A Current and Comprehensive General Plan** - A three-year process to update the San José 2020 General Plan, that includes significant community involvement, will begin in 2006-2007. State law requires a current General Plan as a basis for local agencies to issue entitlement and construction permits. The last comprehensive update of San José's General Plan was adopted in 1994.
- **Strong Neighborhoods Initiative** - the CED CSA is an active participant in furthering the City's Building Strong Neighborhoods effort. An expansion of the successful SNI decision-making model City-wide to transform the way they City works with all its neighborhoods will begin in 2006-2007. Improving communications with all the partners will be key.

Community and Economic Development

TWO-YEAR INVESTMENT STRATEGY

Overview

In 2006-2007 the Community and Economic Development (CED) CSA is investing in revenue-generating efforts while preserving essential core services in the short term. These preparations are helping the City to emerge from the recent recession in a strong position to continue to implement the General Plan, quality growth policies, and a well conceived economic development strategy. A major emphasis is to meet client expectations for service delivery while remaining within resource constraints.

A number of strategies will be employed by the CED CSA to maximize the provision of services to the public with reduced resources, including increased efficiencies and delivery consolidation, aligning costs and fees for service, pursuit of outside grants, renegotiating contracts and leases, reducing subsidies to outside groups and finally, where necessary, impacting service delivery by reducing staff and non-personal/equipment costs.

Key Investments & Objectives

How will we accomplish our goals?

Outcome 1: Strong Economic Base

Year 1: 2006-2007 – Planned Service Strategies

- **Continued Augmentation of Economic Development Programs** – Alignment of activities to the Getting Families Back to Work Initiative, Counter to Council hearings and the Economic Development Strategy document will continue. The following service augmentations will be accomplished through a combination of additional investments, one-time funding, redirection of existing economic development related funds, and consolidation of activities with the Redevelopment Agency.
 - ❑ **Additional retail attraction** will provide residents with more convenient services and help overcome San José's high retail leakage to other communities. (ED Strategy #13)
 - ❑ **Communicating a compelling community identity** is a key element to driving additional investment to San José. (ED Strategy #14)
 - ❑ **Development facilitation** of job- and revenue-generating company expansions and relocations provides San José with a competitive edge as the local economy begins to recover. (ED Strategy #6)

15 STRATEGIC ECONOMIC DEVELOPMENT INITIATIVES

Global Gateway

1. Build a World-Class Airport Facility and Air Services.
2. Forge Connections to Innovation Regions Globally for Mutual Economic Benefit.

Creative Community

3. Develop Strategic Partnerships with San Jose State and Other Universities to Drive Innovation and Economic Impact.
4. Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley.

Entrepreneurial Environment

5. Support Start-Up and Growth of Local Businesses, Small and Large, in Tech as well as Non-Tech Fields.
6. Improve Speed, Consistency, and Predictability of the Development Review Process, and Reduce Costs of Operating in San Jose.

Tech-Savvy City

7. Make San Jose a Tech-Savvy City; Lead the Way in Using Technology to Improve Daily Life.

Place of Opportunity

8. Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs.
9. Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning.

World's Most Livable Big City

10. Continue Emphasis on Developing New Housing, Including New Housing Types in a Variety of Neighborhood Settings.
11. Revise Key Land Use and Transportation Policies to Reflect the New Realities of the San Jose Economy.
12. Encourage Sporting Teams, Events, and Facilities, Professional as well as Amateur.
13. Develop Retail to Full Potential, Maximizing Revenue Impact and Neighborhood Livability.

Capital of Silicon Valley

14. Communicate a Compelling, Consistent Community Identity for San Jose.
15. Engage Private-Sector Leadership for San Jose's Economic Strategy.

City Service Area

Community and Economic Development
TWO-YEAR INVESTMENT STRATEGY

Key Investments & Objectives *How will we accomplish our goals? (Cont'd.)*

Outcome 1: Strong Economic Base (Cont'd.)

Year 1: 2006-2007 – Planned Service Strategies (Cont'd.)

- ❑ Encouraging **sporting teams, events, and facilities** will help bring additional tourism money and raise the image of San José as a destination. The San José Grand Prix, Rock 'n' Roll Marathon, and Tour of California are examples of new City encouraged activities. (ED Strategy #12)
- ❑ Successful augmentation of the City's special event program, including the establishment of new, ongoing signature events such as the San José Grand Prix and activation of City Hall public spaces, requires increased planning and coordination by City staff. The complexities of managing the event/neighborhood interface will continue to increase as Downtown infrastructure becomes denser and neighborhood populations grow. (ED Strategy #12)
- ❑ Expanded efforts to **interface with San José State University; museum/cultural growth; attraction and retention of businesses; and diversification of the economic base** (ED Strategies #3, #4, #5 and #8 respectively) continue.
- **Workforce Investment Act** – Delivery of intensive services will be maintained and universal services will continue to be available to the roughly 11,000 clients served monthly. The One Stop locations will be relocated for improved customer service and lower cost. (ED Strategy #9)
- **Team San José** – Under the agreement approved in June 2004, Team San José will continue to manage the City's Convention and Cultural Facilities based on a new model of non-profit management. Team San José will be evaluated on performance measures that include gross revenue targets, financial performance indicated by net profit or loss, economic impact, attendee day figures, and customer service results. (ED Strategy #4)
- **North San José Development Policy Implementation** – North San José is targeted for higher density office and mixed-use development. The revised land use and transportation policies reflect the new realities of the San José economy and will encourage development in the area. With a number of projects already in the pipe line, the area is positioned to move forward. (ED Strategy #11)

Year 2: 2007-2008 – Projected Service Strategies

- **Economic Development Programs** – Higher levels of support for Economic Development programs can be maintained by reinvesting resulting revenues back into these revenue-generating activities.
- **North San José Area Development Policy Implementation** – Implementation of changes will continue in 2007-2008 and throughout the period of the current 5-year Business Plan. (ED Strategy #11)

Key Investments & Objectives *How will we accomplish our goals? (Cont'd.)*

Outcome 2: Diverse Range of Events, Arts and Cultural Offerings

Year 1: 2006-2007 – Planned Service Strategies

- **Cultural Development Strategy** - With the 2007 expiration of the *20/21 Regional Cultural Plan for the New Millennium*, development of a new strategy will commence. Preliminary outreach to potential funding partners has been encouraging. Broad strategic goals of the Plan may include: 1) leveraging the City's investments in the arts, including facility development, to position San José as the creative and cultural center of Silicon Valley; and 2) supporting the interrelationship of the arts, education and innovation. (ED Strategy #4)
- **Fund Redeployments to Preserve Core Programs** – One of the core missions of this Outcome is to provide essential services to emerging, culturally specific arts organizations (ED Strategy #4, #5). Two existing programs – technical assistance grants for specific capacity-development projects and a culturally-specific performing arts series to build new/alternative arts audiences in downtown venues – support this mission. Shifting program funding to non-General Fund sources will enable these programs to continue at 2005-2006 service levels.
- **Interdepartmental Events Production Team** – The team approach to the implementation and production of successful outdoor special events will continue to expand. The establishment of parallel events coordination staff positions in multiple departments will strengthen the knowledge base of the events production team. In addition to the existing front-line operational team, a core senior/executive management steering team will provide oversight to ensure coordination between events as well as with business and neighborhood stakeholders.
- **Public Art Maintenance Strategy** – As part of the development of a new Public Art Master Plan, anticipated to be adopted in 2006-2007, the consultant team and staff are exploring alternative funding strategies that would include establishment of a source of funding for conservation and maintenance. The City's public art collection has consistently experienced a lack of funding for this purpose.

Year 2: 2007-2008 – Projected Service Strategies

- **Cultural Development Strategy** – Implementation of strategies is anticipated to require identification of internal and external funding sources.
- **Reductions** - Depending on stakeholder feedback, potential reductions to meet the projected General Fund shortfall could include the elimination of public art conservation/maintenance and/or arts programs (education, neighborhood development, international cultural exchange); and/or reduction to events grants.
- **Funding Shifts** - Shifting of arts/cultural non-personal or personal services expenses to Transient Occupancy Tax is allowable under the current ordinance and would be considered. Depending on total budget of public art projects, a shift of public art personal services to 2% for art special fund would be explored.

City Service Area

Community and Economic Development

TWO-YEAR INVESTMENT STRATEGY

Key Investments & Objectives *How will we accomplish our goals? (Cont'd.)*

Outcome 3: Safe, Healthy, Attractive, and Vital Community

Year 1: 2006-2007 – Planned Service Strategies

- **Development Fee Program Coordination** - The integration of Getting Families Back to Work and Economic Development Strategy initiatives with operational changes arising from commitments made to the development industry will continue. The coordination effort of the City's development service partners – Building, Fire, Planning and Public Works – is benefiting from co-location in City Hall and will allow the continued improvement of speed and predictability in the development review process, and enable the City to speak with one voice on development issues.
- **Small Business Ambassador Program** – This program helps small business owners relocate, operate, or expand in San José, facilitating job creation in the City. Providing small businesses with assistance in negotiating the development permit process will help them open for business sooner and likely reduce their “up front” costs. The program will complement existing expedited permit programs by emphasizing a facilitation approach and providing seamless “one-voice” service delivery. (ED Strategy #5)
- **Neighborhood Business Districts** – This program will continue in Redevelopment Agency project areas to include collaboration and support of business associations, façade improvements and infrastructure investments. (ED Strategy #5)
- **Fee Adjustments** - The City's development services partners (Building, Planning, Public Works and Fire) consulted with development industry groups on a fee and service level package that became the basis of fee program budget balancing adjustments. In addition, the new time-based fee methodology will be implemented for commercial and industrial Building permits and plan checks in 2006-2007 (ED Strategy #6)
- **Coyote Valley Specific Plan** – This collaborative effort to plan the development of Coyote Valley will be completed in 2007. (ED Strategy #11)
- **Evergreen*East Hills Vision Strategy**– This community-based plan will be completed in 2006. (ED Strategy #11)
- **Long-Range Land Use Planning** – Land use actions in support of Strong Neighborhood goals will continue at the reduced service levels necessitated by last year's reduction in staff resources. These activities also influence a wide variety of initiatives and actions contained in the ED Strategy. (ED Strategy #11)
- **Comprehensive General Plan Update** – A 3-year effort to comprehensively update the City's General Plan is scheduled to begin in 2006-2007 with funding approved in this budget. (ED Strategy #11)

Year 2: 2007-2008 – Projected Service Strategies

- **Comprehensive General Plan Update** – The 3-year effort to comprehensively update the City's General Plan is scheduled to continue in 2007-2008. (ED Strategy #11)
- **Continuing Dialogue with Development Customers** - The dialogue between the City's development service partners and representatives of the development community will focus on service and fee levels and process improvement priorities in 2007-2008. (ED Strategy #5, #6)
- **Long Range Planning** – Any new specific area studies will require new funding commitments as staffing cuts may be necessary to address the projected General Fund shortfall. (ED Strategy #11)

PERFORMANCE BY OUTCOME**Outcome 1: Strong Economic Base****Economic Development Strategy**

The Economic Development Strategy describes how San José can excel economically and how the City and its partners (private, nonprofit, and public sector) can work together to achieve success.

Since its adoption in December of 2003, the City's Economic Development Strategy has formed the core for over 160 projects to advance the 15 initiatives identified in the Strategy. Implementation is an enterprise-wide effort involving 18 departments and more than 120 City staff.

Key initiatives receiving priority implementation include:

- Diversify San José's economic base and preserve/create middle-income jobs.
- Support start-up and growth of local businesses, small and large, in tech as well as non-tech fields.
- Develop strategic partnerships with San José State University to drive innovation and economic impact.
- Evolve and position Downtown San José as a unique creative and cultural center of Silicon Valley.

Additional resources are allocated for 2006-2007 to further the efforts to develop retail to full potential, maximizing revenue impact and neighborhood livability.

San José has reason both to be optimistic about the future and concerned about staying ahead of challengers. To succeed in an environment characterized by competition, uncertainty, and opportunity, San José must excel at productivity, creativity, and livability. A core challenge is to remain attractive to the entrepreneurs, talent, and companies in "driving industries" that have other location options nationally and internationally. (Driving Industries serve outside markets, pay above-average wages, and stimulate job growth in business-support and local-serving sectors.)

Aggressive competition from other innovation centers globally means that there is no guarantee of continued success in the absence of appropriate civic action.

Driving a Strong Economy

Retaining and attracting companies in "driving industries" is a major priority, as is nurturing the growth of new start-ups. The majority of the region's job growth will continue to come from new companies that start-up and retain their headquarters here.

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
A. Facilitate Major Corporate Development	1. Estimated jobs generated through City/Agency attraction, expansion and retention					
	- Industrial	41,000	9,295	9,080	9,600	6,360
	- Commercial/Retail	8,700	6,173	3,475	1,960	2,540
	Total	49,700	15,468	12,555	11,560	8,900
	2. Estimated payroll from job generation	\$2.1B	New Measure	\$528M	\$587M	\$500M
B. Stimulate Revenue for City Services	1. Economic Impact of Convention Facilities					
	Attendee Days by Type of Visitor					
	- Local/Social	3,663,460	515,100	736,300	600,400	660,000
	- Out of Town	533,700	87,300	65,170	92,700	103,600
	- Exhibitors	121,800	18,500	21,620	19,700	22,000
	2. Number of outdoor special event attendees	2,300,000	2,000,000	2,100,000	2,150,000	2,175,000
	3. Anticipated increase in tax from businesses receiving assistance in the current period	New Measure*	New Measure	\$5.8M	\$5.6M	\$5M
	4. Actual increase in sales and use taxes from businesses which previously received assistance from the City	\$15M	\$4M	\$1.5M	\$1.5M	\$3.8M

Changes to Performance Measures from 2005-2006 Adopted Budget: No

City Service Area

Community and Economic Development

PERFORMANCE BY OUTCOME

Outcome 1: Strong Economic Base (Cont'd.)

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
C. Retain Industrial Jobs, Suppliers and Industrial Land Uses	1. Jobs gained/(lost) in areas with "heavy" and "light" Industrial General Plan land designation (acres converted in parenthesis)	-5,000 jobs (-200 acres)	-1,000 jobs (-40 acres)	-100 jobs (-7 acres)	3,500 jobs (130acres)	1,000 jobs (40 acres)
	2. Jobs gained/(lost) in areas with "Industrial Park" and "Campus Industrial", and other R&D General Plan land designation (acres converted in parenthesis)	-7,000 jobs (-200 acres)	-12,760 jobs (-350 acres)	-2,800 jobs (-100 acres)	-13,280 jobs (-420 acres)	-1,500 jobs (-40 acres)
	3. Ratio of San Jose jobs to employed residents**	1.00 jobs/resident	New Measure	0.93 jobs/resident	0.93 jobs/resident	0.95 jobs/resident
D. Facilitate Small Business Expansion	1. Funding made available to small businesses through loans, guarantees and grants	\$29.8M	\$3.0M	\$7.4M	\$9.1M	\$7.7M

Changes to Performance Measures from 2005-2006 Adopted Budget: No

** City estimate only; No Agency estimate

Driving a Strong Economy (Cont'd.)

Diversifying San José's economic base is important for mitigating economic fluctuation and for ensuring career path opportunities for residents.

Leasing at the City's new bioscience incubator began in July 2004. The new incubator is modeled on the nationally recognized software, environmental, and international business clusters already running in San José. 16 start-up companies are now operating in the building. The goal is to catalyze a concentration of bioscience companies in Edenvale in and around the incubator.

The City continues to help established San José companies expand their operations. Some examples include Hitachi Global Storage Technologies, which is working with the City on a major intensification project at their site in Edenvale, resulting in not only the retention of 3,000 jobs but the creation of 2,900 new housing units, and Xilinx which will add as many as 350 positions next year. In July, 2005 IDT brought 600 new jobs to their 16-acre campus in Edenvale. In addition, City staff has worked directly with companies like GE Nuclear, Qualcomm, Helio Solutions, Raisch, iStar, Agere Systems, Fluid Industrial, United Laboratories Technologies, Next Test, United Technology Inc., KLA Tencor, and Phillips in 2005-2006.

The City also encourages the growth of local small businesses. Financial support for local incubators, the City of San José Entrepreneur Center in Downtown, which served over 14,000 clients per year since its establishment in 2001, and other business assistance organizations, contribute greatly to increasing the capacity of local small businesses. The Redevelopment Agency renewed funding for the Small Business Loan Program which will support downtown business growth. In City Hall, a Small Business Assistance Center was created, and the Small Business Ambassador Program was expanded. Small and local business participation in City contracts and service agreements is being promoted through preferences, outreach, and process improvements (45% of agreements went to local businesses).

To support the continued growth of the Mineta San José International Airport, the City purchased the nearby property from FMC, allowing the Airport's expansion to be achieved more easily and affordably. The site is entitled for 3 million square feet of high-end office, hotel, and retail uses and will generate significant lease and sales tax revenues for the City as it is developed.

The success of San José State University is a strategic economic priority. The launch of the MLK Library demonstrated the power of City-University collaboration to drive economic impact and livability improvements, especially in the Downtown. The City

Outcome 1: Strong Economic Base (Cont'd.)

Driving a Strong Economy (Cont'd.)

and University have identified key priority areas for collaboration and include joint planning to determine appropriate land uses and shared opportunities in the South Campus area, a pilot homeownership program for new faculty at San José State University, integration of downtown wireless Internet access, placement of identification banners on the perimeter of the University, and the Public Sector Career Initiative.

Update of Land Use Policies

The City of San José is supporting Silicon Valley's next wave of innovation with updated land-use and transportation policies to enable job-generating industries to expand. These policies will drive continued business prosperity and high quality of life for residents by balancing economic goals with housing, transportation, environmental, and open space strategies. Of these policies, the Downtown Strategy 2000 and the Revised Transportation Impact Policy, have moved to the implementation phase. The environmental review process for Vision North San José is nearing completion with the City completing negotiations on a precedent setting mitigation of required traffic impacts.

Vision North San José: City research and recent expansion decisions by companies such as eBay and BEA Systems demonstrate that growth companies want North San José to become a mid-rise, pedestrian friendly environment with business support amenities and mid-rise housing nearby. The current environment, initiated 30 years ago, features primarily low-rise industrial buildings.

To ensure the ongoing attractiveness of North San José, the new North San José Development Policy will allow taller buildings to be built near the light rail, adding up to 20 million square feet of R&D and office development (potentially 83,000 jobs). Approximately 32,000 additional housing units, primarily mid-rise apartments, will be allowed near transit through the conversion of industrial land freed up through increased industrial densities.

Downtown Strategy 2000: The development potential of the Greater Downtown area has been improved by allowing higher density in-fill development, encouraging replacement of underutilized uses, and expanding land-use intensities. These revisions will set the stage for the first high-rise housing developments in the South Bay, further diversifying San José's housing options. Implementation of the Downtown Strategy will further the area's evolution into a vital urban place to live, work, shop, and play.

Revised Transportation Impact Policy: A key prerequisite for permitting the increased densities of the two plans above is to strengthen San José's transportation policy to build a balanced transportation system, manage congestion, and improve neighborhood livability. The updated policy broadens the options for mitigating traffic congestion in targeted areas such as transit corridors, business districts, specific plan areas, and Greater Downtown. Rather than simply widening intersections so they become pedestrian and transit unfriendly, developers will have to provide other improvements to offset congestion impacts, such as bicycle facilities, transit enhancements, and traffic calming.

Adoption of this updated policy framework will benefit all of San José by enhancing the City's fiscal health and the ability of companies to expand in the community. These policies represent best practices in encouraging 'smart growth'—creating vital live-work districts accessible by transit and avoiding development that sprawls unnecessarily into open space.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 1: Strong Economic Base (Cont'd.)

Planned Growth Areas

Area	Housing Units	Jobs
Downtown	10,000	30,000
North San Jose	32,000	83,000
Airport Area		9,000
Transit Corridors	20,000	15,000
Berryessa BART Station	4,000 (Under Study)	
Evergreen	4,000 (Under Study)	
Edenvale	3,000	10,000
Coyote Valley	25,000	50,000
Total	98,000 Units 245,000 Residents	197,000 Jobs
2030 Growth Projections	355,000 Residents	240,000 Jobs

Employment (Industrial) Lands

The cumulative loss of industrial lands since 2004-2005 is over 360 acres. While the Vision North San José and Downtown Strategy 2000 plans added job potential to San José, the City is continuing to receive applications for additional conversions to residential uses. The Council will consider these during the General Plan hearings.

Consistent with the adopted Economic Development Strategy and the Council's Getting Families Back to Work and Counter to Council direction, Staff intends to continue to work with stakeholders to suggest streamlining of land use policies and ordinances to facilitate economic development.

Achieving a healthy balance between the number of jobs and housing units is important to ensure community livability and financial health. While the factors which affect this figure are varied and many are outside the City's control, land-use decisions do make a difference over time. In addition, the intensification

made possible under these updated policies will allow for more employment opportunities for residents as well as more housing choices and greater affordability.

Convention Facilities

The Convention and Cultural Facilities (CCF) are managed by Team San José (TSJ), and continue to support the local economy by attracting guests for local hotels, restaurants, arts groups, and other hospitality businesses. Team San José's innovative and flexible business model is a unique partnership that benefits both the public infrastructure and the private business community.

In February 2006, a number of large events – such as The Lion King at the Center for Performing Arts (CPA), the RSA and Adobe Conferences at the Convention Center, Civic Auditorium and Parkside Hall – enabled the City to enjoy its most successful event revenue month in recent history. The 14 San José convention hotels reported the highest room occupancy rate since November 2000 and the highest number of room nights since March 2000.

During 2005-2006 the McEnery Convention Center was the venue of choice for a wide range of exhibitions, trade shows and conferences. Technology conferences such as the RSA Security Conference, Embedded Systems Conference, and Photonics Conference returned for yet another year.

TSJ is projected to bring 500 events to the Convention Center complex in 2005-2006, and with those events approximately a million attendees. As a result, TSJ estimates gross revenues of approximately \$8.27 million, nearly \$1 million more than its actual gross revenue for 2004-2005. Projected expenses are over by a net \$450,000 due to the use of more outside services contracted by TSJ to offset vacant positions, as well as supply, repair and maintenance costs incurred in excess of budget and unanticipated capital and equipment expenses.

TSJ's clients – show, conference and event organizers – when surveyed have rated the facilities and services provided at the convention center complex as good to excellent. The high client satisfaction indicates a corresponding degree of return business, establishing a strong baseline for a continued increase in sales and a higher overall occupancy of the City's Convention and Cultural Facilities.

City Service Area

Community and Economic Development

PERFORMANCE BY OUTCOME

Outcome 1: Strong Economic Base (Cont'd.)

Special Events

Outdoor special events are increasingly recognized as economic drivers as well as a means to build community cohesiveness and pride, promote cultural awareness, and provide a wide variety of multi-generational, multi-interest activities for residents and visitors. Approximately 350 events, many low- or no-cost to attendees, are coordinated annually on public and private property, with a total attendance forecast at 2,150,000 for 2006-2007. During 2005-2006, work was begun to develop specific measurement tools to more accurately assess the direct and indirect economic impact of festivals and other events. Tracking using these new tools will begin in 2006-2007.

San José has been successful in attracting several new, signature events that will showcase the City for hundreds of thousands of additional local, regional, national and international attendees. The San José Grand Prix in the Downtown core, and the ZeroOne San José: A Global Festival of Art on the Edge in multiple Downtown venues will both take place in the Summer of 2006. In addition, other new events such as the Rock 'n' Roll Half Marathon, Tour of California and the San Jose Cycling Classic will highlight other areas of the community.

City investments in promoting these larger events have significant positive economic impact on San José. Direct and indirect spending associated with last year's San José Grand Prix is estimated to have been over \$41.6 million.

A key challenge for this program, considering the number, size and complexity of outdoor events, is incorporating them into the community while maintaining healthy business activity and preserving neighborhood quality of life. With the Office of Economic Development as the lead, a cross-departmental, multi-agency team approach to event planning and coordination is being used to integrate events as seamlessly as possible. Additional staffing in this area in both CED as well as other CSAs will help insure that both residents and event attendees continue to view these events favorably.

New Retail Development

Research has shown that San José is under-retailed by about 20%. This not only affects the City's General Fund, but also means that residents must drive to other communities to shop and eat. The CED CSA is intensifying its efforts to encourage and accommodate retail interest in San José. Ongoing work to facilitate the development of Santana Row and Oakridge Mall is creating significant results in terms of increases in sales and City revenue. Eastridge Mall continues its extensive renovation, which includes new shopping, dining, and entertainment options, and a new AMC Movie Theatre. Federal Realty, the owners of Santana Row have purchased Westgate Mall, and the City is working with them to continue to enhance the offerings available to further increase resident choices and retain retail spending in San José. The San José MarketCenter opened in March 2006 with major anchors including Target, Marshalls, PetsMart, Cost Plus, Office Depot, and Michael's. The new center will provide additional retail support for the burgeoning Downtown community. Although delayed, the conversion of the former GE site to retail uses is expected to make nearly 650,000 of additional square feet available in 2006-2007.

Other anchor retailers are opening or pursuing new sites in San José including Kohl's, Walmart, Costco, Lowes, and Target. City staff assisted auto dealerships making improvements including Beshoff Motors, Smythe European, Beal/Porsche/AudiHonda Stevens Creek, Stevens Creek Volkswagen, and Toyota Stevens Creek. In the last fiscal year, 19 retail businesses opened in Downtown. This represents approximately 45,000 square feet of retail space and over 200 new jobs. Recent openings include: Chic Chateau (apparel/antique furnishings), San Jose Credit Union, UPS, Beat the Bookstore, Smoke Tiki Lounge, Smile Sushi, Pita Pit, Tandoori Oven, Cartridge World, University Chicken, Loft Bar & Bistro, and Fahrenheit Ultra Lounge.

City Service Area

Community and Economic Development

PERFORMANCE BY OUTCOME

Outcome 1: Strong Economic Base (Conr'd.)

New Retail Development (Cont'd.)

During the same time period, 33 retail businesses opened in seven neighborhood business districts. This represents approximately 234,000 square feet of retail space and 550 jobs. Notable achievements included the opening of the 150,000 square foot Plaza de San José project at the Story and King intersection anchored by Target, FAMSA, and Walgreens, representing the first new shopping center construction in this part of East San José in over four decades. The opening of City Hall has spurred significant retail activity on East Santa Clara Street, and new housing development in Japantown has reinvigorated interest in some long-standing vacant properties. The opening of Washington Mutual on Alum Rock Avenue brings a first-class lending institution to this long under-served area. The trend of unique local and national credit tenants along The Alameda continues; Long's Drugs is the most recent opening.

Much progress has also been made on developing new retail space in the Downtown. The CIM mixed-use high rise housing project at Block 3-Central Place is now under construction. This project will bring approximately 70,000 square feet of new retail space over two phases. This is in addition to the 17,500 square feet of new retail space leased to Lucky Strike Lanes - a hip bowling concept - at the base of CIM's mixed-use project at the Second and Santa Clara. Three high-rise housing projects - Mesa's "The Californian" project in the South of First Area (SoFA) district, Urban West's project on the Block 8 parking lot at the corner of San Carlos and First Street, and "Marshall Square" on North First Street - will bring new retail space at the ground floor of these developments.

Additional retail space is also being developed as a result of the Redevelopment Agency entering into agreements for the rehabilitation of the remaining unreinforced masonry buildings in Downtown, including the Crescent Building at the corner of First and San Fernando Streets, the Storm Property on San Pedro Street, the Porterstock buildings on S. First Street, and the Dr. Eu and the Kotanski buildings on Santa Clara Street. The restoration of these historic buildings will eliminate vacant storefronts and add

approximately 80,000 square feet of commercial and retail space in the next couple of years.

In the neighborhoods, there are several new projects underway that will add significant new retail space, including First Financial Plaza on Winchester Boulevard and the Campisi project on The Alameda.

Revenue Enhancement

The City has worked closely with Calpine Corporation to ensure that roughly \$1.5 million in new sales and use tax transactions associated with recent capital investments by the company were assigned to the City. It is common that use-tax dollars (a tax charged to California companies which purchase goods outside California) are not appropriately allocated to San José and instead are allocated to county wide or statewide pools for pro-rata distribution. A similar allocation of sales tax occurs with large in-state purchases over \$500,000.

The Office of Economic Development sees the potential to grow revenues from similar activities with other companies. The work requires significant staff commitment, extensive technical expertise, and long-term relationships with the local business community.

Sales/Use Tax revenues related specifically to actions of this CSA are trending below targets set last year, and this year's target was revised to a lower level. There are a number of reasons for this dip in revenue generation, the most influential of which are:

- A number of large revenue generating projects have been delayed, postponing the point at which this revenue will be received by one or more years. These include: Lowes, Costco and the conversion of the GE site.
- Additional revenue resulting from facilitated improvements such as local, large shopping centers is only tracked for one year after completion of each project. This, together with lower than anticipated revenue per square foot at the malls, is resulting in diminishing revenue generation figures.

With the addition of new staff focused on encouraging business attraction and expansion, additional revenue generation is expected to begin to flow into the City in

PERFORMANCE BY OUTCOME**Outcome 1: Strong Economic Base (Cont'd.)****Revenue Enhancement (Cont'd.)**

2007-2008. This lag between actions to encourage revenue generation and the actual arrival of the revenue results from the often protracted length of time between concept and development. An example of this is the conversion of the GE site to a shopping center on which staff began to work in 2003. The site was sold to Westrust Ventures in March, 2006, and the developer expects to open the new shopping center in July 2007.

Workforce Development

A strong and prepared workforce qualified for jobs that pay enough to support living in the area is of vital importance. The City's Silicon Valley Workforce Investment Network (SVWIN) works with local businesses and residents to provide resources to develop a skilled, self-sufficient workforce. These federally funded efforts are accomplished through public and private partner organizations that form the Silicon Valley Workforce Investment Network.

The number of client visits to the SVWIN program one-stop service delivery centers in southern Santa Clara County continues to level off from the previous years. An estimated 150 new additional business relationships will be forged to provide recruitment assistance and 150,000 client visits will be accommodated in 2006-2007 at the three SVWIN One

Stops. Clients are provided with access to a resource library, training rooms, and counselors for those needing additional assistance. Businesses are also encouraged to conduct seminars and recruitment activities at the One-Stops. SVWIN continues to expand the number of clients served and the breadth of services offered by concentrating on five strategic industry sectors: retail, hospitality and tourism, healthcare, software, and bioscience.

In 2006-2007, a satellite branch will be opened in east San José, and the main San José One Stop will be relocated. This adjustment will result in significant reductions in rental costs. The savings will be invested in additional client services.

Having established the program's actual long-term needs, the majority of temporary positions in the SVWIN program have fees converted to permanent positions in this budget. Some temporary positions will be retained to allow the program to take advantage of service enhancements presented by one-time funding opportunities (e.g.: grants) and respond to specific board innovations.

SVWIN is one of the few Workforce Investment Areas on track to meet all 15 US Department of Labor identified outcome targets in the coming year.

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
A. Be Active Partner in Developing a Skilled Workforce	1. Estimated % of Workforce Investment Act (WIA) clients employed six months after initial placement					
	- Adults	Goals set annually by State of CA	77%	85%	Goals set annually by State of CA	Goals set annually by State of CA
	- Dislocated Workers		84%	91%		
	- Youth		79%	79%		
	2. Number of Business Clients Served by WIN Program	1,125	210	225	225	225
	3. Percent of Clients Placed in Jobs					
	- Adults	Goals set annually by State of CA	76%	76%	Goals set annually by State of CA	Goals set annually by State of CA
	- Dislocated Workers		79%	80%		
	- Youth		71%	80%		

Changes to Performance Measures from 2005-2006 Adopted Budget: No

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 2: Diverse Range of Events, Arts, and Cultural Offerings

Events, Arts, and Cultural Offerings Overview

This CSA has primary responsibility for a broad range of programs and activities that contribute to the quality of life of this community; attract regional, national and international visitors; help establish San José as a creative and vibrant hub of the region; and provide life-long arts and cultural learning opportunities for its residents. In partnership with dozens of arts and cultural organizations, City grants are leveraged significantly to provide hundreds of music, dance and theatrical performances, exhibits and arts projects that appeal to a diverse and multi-generational audience.

Through collaborative education programs, this CSA provides arts enrichment and arts education for thousands of San Jose students each year - for many students, the only opportunity they would have to encounter traditional and emerging art forms that can enrich their understanding of the world and their future life choices.

The public art program enhances the capital improvement programs of the City's parks, libraries, community centers, major public centers such as the Airport and City Hall, and private developments; assists local artists to develop professionally; and has given residents and visitors the opportunity to enjoy an increasingly diverse and valuable public art collection. The special events program supports the production of a wide range of outdoor special events year-round, taking place not only in the heart of Downtown, but celebrating the City's unique neighborhoods as well.

The majority of arts, cultural and event programs, and related policy development, are housed in the Office of Cultural Affairs (OCA). Per Council direction, OCA became a division of the Office of Economic Development at the beginning of 2005-2006. The new reporting structure, has offered opportunities for a fresh perspective on arts, cultural and events programs, policies, and future strategies.

Arts and Cultural Development

The financial environment for San José's arts providers began to stabilize in 2005-2006 after a series of rocky years following the economic recession that began in

2000-2001. Audience and participant tallies reported by the City's arts grantees reversed declining attendance, registering an 8% increase. Most grantees reported breakeven or moderately profitable years. A handful of City-owned institutions, such as the Children's Discovery Museum, even added new visitor assets. The City's major arts granting programs, after hitting their lowest level in more than six years in 2004-2005, began to rebound modestly. The City's after-school arts offerings at neighborhood sites around the City, as well as Arts Express, its Citywide arts exposure program for schoolchildren, held steady. The Neighborhood Arts Pilot at Hoover Community Center began to take form. Ground was broken on Art Ark, the first major affordable housing development aimed primarily at artists, on the southern edge of downtown.

In the midst of the generally better news, however, there were still bumps in the road, some of which create new threats for 2006-2007. Knight Ridder Corporation, one of San José's largest corporate supporters of arts and culture, curtailed its philanthropic activities as it was put up for sale. The extent to which it or its successor company will provide support for arts and culture in this community is unclear. However, it is highly likely that Knight Ridder's philanthropic activities will not be revived or replaced in the near future. Add to that the loss of support by the San Jose Mercury News, at least for the immediately foreseeable future. As the consequences of these losses ripple outwards, it is likely that the community will see some changes resulting in the services that San José's arts and cultural organizations provide.

Nonetheless, arts and cultural offerings in San José should continue to grow, on the whole. Several exciting developments are anticipated in the SoFA area, San José's designated arts and entertainment district including a high-rise housing complex in the area in 2006-2007 as well as new facilities for Movimiento des Artes y Cultura Latino Americana (MACLA), the San Jose Stage Company, and the San Jose Institute of Contemporary Art. American Musical Theatre and Children's Musical Theater will be actively searching for a location in the Martha Gardens/Spartan Keyes area.

Outcome 2: Diverse Range of Events, Arts and Cultural Offerings (Cont'd.)

Arts and Cultural Development (Cont'd.)

Not least, the curtain will rise in August 2006 on an event that promises to add substantially to the uniqueness of San José and energize the local arts community, *ZeroOne San José: A Global Festival of Art on the Edge*. Capitalizing on San José's role as the gateway to Silicon Valley, the festival will host the biennial international convention of the Inter-Society for Electronic Arts and stage San José's first biennial arts and technology festival. As a lead backer of ZeroOne, the City along with San José State University, Adobe and other private businesses, funding has been included to offset the cost of the use of City facilities during this event.

The City's current cultural plan, the *20/21 Regional Cultural Plan*, will expire in 2007. During 2006-2007, one of OCA's major undertakings will be development of a successor strategy which will focus on what the City must do to anticipate and meet the cultural needs of San José residents, and will align with the City's economic development strategies. Discussions will be inclusive, reaching out to community partners including those participating in the Creative Urban Center visualization, residents, City departments and agencies, to ensure a comprehensive cultural development strategy.

Public Art

During the last year, the Public Art Program has continued to integrate public artworks into the Parks, Library and Public Safety Bond projects as described in Council-approved public art plans for these bonds. As a result, San José's public art collection has grown in quality and visual diversity. The Public Art Program has maintained its emphasis on community involvement and has increased its efforts to recruit and train local and regional artists. To that end, the program has developed an ongoing relationship with San Jose State University's art school to train local artists and charge them with developing a community-based project annually.

The Public Art Program has been building its art and technology focus with the development of the arts activation plan for the Norman Y. Mineta San José International Airport, and by supporting two projects at the ZeroOne San José festival. In addition, the Public Art Program has built its collaborations with the

San José Redevelopment Agency, ensuring that public art is included at the earliest opportunity in all eligible private and agency-assisted development projects.

During 2006-2007, the Public Art Program will continue working with the master plan team of Brown & Keener Bressi to develop a long-term public art strategy for San José that considers the City's urban design directions, planned development, funding opportunities and ongoing maintenance of the collection. The Master Plan is being guided by a steering committee including community, arts, development, and business leaders.

Outdoor Special Events

The Special Events Program oversees all outdoor special event planning. It coordinates the delivery of services from multiple City departments to support events; permits and authorizes events on public and private property throughout the City; develops policies, regulations and ordinances related to special events; and is a key participant in planning new or improved outdoor event venues.

In 2005-2006, the Special Events Program underwent a significant shift due to the City's new role as an "active investor" through Council-approved agreements with two new "signature" outdoor events – the 2005 San José Grand Prix and the 2006 Tour of California. Led by the Office of Economic Development, cross-departmental teams worked seamlessly to bring these two new events to a successful conclusion, serving over 190,000 attendees and bringing an estimated \$41,600,000 in direct and indirect economic benefit to the City from the Grand Prix. In 2006-2007, the Grand Prix returns; as will the Amgen Tour of California; and three additional signature events – the ZeroOne San José festival, the Rock & Roll Half Marathon, and the San José Cycling Classic – will be managed and produced under the new event management framework.

While major events help position San José as a creative urban center and drive the economy, smaller neighborhood events can unite communities, celebrate heritage and contribute to the vibrancy of small business districts. To that end, this program produced and will distribute a guidebook to assist community groups throughout the City to plan unique events.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 2: Diverse Range of Events, Arts and Cultural Offerings (Cont'd.)

Outdoor Special Events (Cont'd)

The number of special events has grown steadily over the last 15+ years, with some deviations due to the economic downturn. Staff resources, which have not kept pace with program demand, have been used more efficiently each year, and program policies and practices have been streamlined to the extent possible while still ensuring public health and safety at events. The anticipated 2006-2007 staff augmentation in the Special Events Program will allow for recruitment of new events, provide continued high quality service to existing events, and will allow the program manager to refocus on continuous improvements in the City's event policies and processes.

In 2006-2007, Special Events staff will take a lead role in development and implementation of the anticipated \$200,000 Destination Event Marketing Fund competitive grant program, to assist proven San José special events expand their success through enhanced marketing. Although the fruits of those efforts may be realized over several years, it is anticipated that this additional City marketing support coupled with recruitment of new signature events will increase the community's awareness of, and satisfaction with, the number and variety of outdoor special events. In 2006-2007, the program plans to complete a methodology

to measure the economic impact of various types of special events.

OCA also administers the Festival, Parade and Celebration Grant Program, an annual competitive program to support events that contribute to the economic enhancement, cultural enrichment and promotion of the City of San José. In spring 2006, a "multi-year rating" opportunity was offered for the first time. Previous grantees that had received a high rating could file a simple declaration to use the previous rating, streamlining the process and reducing the workload of the applicant, peer panelists, and City staff resources. One-third of grant applicants qualified and elected to take advantage of the multi-year rating opportunity.

The Vertical Banner Program, which installs colorful, event-related banners on street light poles city-wide, formed a partnership with San Jose State University to install permanent new "way-finding" banners on light poles surrounding the campus. The University underwrote the cost of outfitting the locations. It is anticipated that requests for similar "way-finding" banner partnerships will be negotiated in 2006-2007 for the City's distinctive districts and attractions

5 Year Strategic Goals	CSA Performance Measures	2007-2011 6-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
A. Provide a diverse range of arts and cultural offerings for residents and visitors	1. % of residents rating the availability and variety of arts and cultural offerings in or near their neighborhoods as good or excellent	55%	39%	43%	43%	44%
	2. % of residents rating the City's efforts at supporting a diverse range of arts and cultural activities in the City as good or excellent	65%	55%	54%	54%	58%
B. Enhance San José's public spaces through public art and design amenities	1. % of public art works completed and installed on schedule	90%	75%	90%	90%	90%
	2. % of residents rating City efforts at enhancing public spaces with public art as good or better					
	Point of Service Survey	70%	65%	85%	85%	85%
	Community-Wide Survey	45%	42%	44%	44%	45%
C. Encourage a full range of outdoor special events that serve diverse communities and visitors	1. % of residents rating the City's efforts at providing an adequate number and variety of outdoor special events as good or better	53%	48%	48%	48%	50%

Changes to Performance Measures from 2005-2006 Adopted Budget: No

Outcome 3: Safe, Health, Attractive, and Vibrant Community

Long Range Planning

Strong Neighborhoods Initiative: In 2002-2003, the City Council adopted 19 Strong Neighborhoods Initiative (SNI) Neighborhood Improvement Plans, each identifying the priority improvements for the respective plan areas. The plans, created by each community, are now being used as implementation tools to program delivery of services such as alleviation of blight, vehicle abatement, and neighborhood cleanups as well as to identify capital improvement projects such as park improvements and traffic calming projects within each community. Though some top-ten items requiring financial resources are unavoidably delayed in the short term, the SNI effort continues by leveraging the important relationships between staff and the Neighborhood Action Coalitions (NACs) that were developed during the planning process. In this CSA, these efforts include initiating planning actions to facilitate reinvestment in the neighborhoods. In addition, in 2006-2007, the lessons of the SNI will be used to provide the foundation for expanding Strong Neighborhoods beyond redevelopment areas and transforming the way the City works with all of its neighborhoods. To support this expansion, a Planner position was approved to be added.

In targeting improvements to SNI areas, the City is properly applying resources to areas in need based on the Community Survey's measure of the percentage of residents' rating the overall physical condition of their neighborhoods as "good" or "excellent" (only 58% in SNI vs. 72% citywide). The City's efforts are also having an impact as demonstrated by the percentage of SNI residents who perceive that their neighborhood has improved over the last two years (57% in SNI vs. 47% citywide). An even better indicator is the 58% "good" or "excellent" rating for SNI areas is 13% higher than the 45% rating in the last survey.

General Plan Update: The last comprehensive update of San José's General Plan was adopted in 1994. Given the significant growth issues facing the City, another comprehensive update is needed to allow City staff and the City Council to engage the community in preparing a land use vision to direct future growth while

preserving the quality of life in our neighborhoods. A new plan will assist policy makers and development interests in shaping a positive future for the community. It is estimated that the General Plan Update process would take two to three years and cost approximately \$3.2 million (plus approximately \$1.5 million in existing staff resources). In the 2004-2005 Adopted Operating Budget package, the City Council approved a timetable for the two-year process beginning in mid-2006 and a General Plan Update Fee of 1.25% that is applied to "Entitlement and Building Permit Fees". This fee revenue, along with funds already earmarked in a General Plan Update reserve, should cover the Update's approximately \$1 million in consultant and non-personal costs. The approved Mayor's March Budget message pushed the timetable back six months. The Update work plan now calls for the reassignment of an existing Planner position in the Special Projects/SNI Team from other special projects to work on the Comprehensive General Plan Update. Two additional positions in this budget were approved to begin the preliminary work – including stakeholder identification and education, and identification of potential issues to be examined in the comprehensive Update. This work will precede the formal initiation of the General Plan Update process now anticipated for late spring 2007. Considerable Planning management staff time as well as contributions from almost all City Departments and Offices will be invested in this multi-year effort.

Evergreen*East Hills Vision Strategy: City staff continues to work with the community, key property owners, developers, school officials, and other stakeholders to complete the Evergreen*East Hills Vision Strategy (EEHVS) in first half of 2006-2007. The EEHVS seeks to balance new development with transportation improvements and community amenities to enhance the overall quality of life in and around Evergreen. The main products of this effort include an updated Evergreen Development Policy, General Plan amendments, and a financial strategy. A draft Environmental Impact Report has been completed to assess the potential environmental effects of these items. Rezoning applications for four sites are being processed concurrently.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 3: Safe, Health, Attractive, and Vibrant Community (Cont'd.)

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
A. Revitalize and Rehabilitate Uses, Sites and Structures in Neighborhoods, Commercial and Industrial Areas	1. # of facades, streetscapes, and development projects completed* a. Streetscapes b. Facades c. Development Agreement to Board d. Development Sites Marketed	20% 158% 10% 50%	9% 43% 2% 10%	8% 29% 0% 14%	6% 33% 4% 10%	6% 34% 1% 10%
B. Quality Living and Working Environment	1. % of residents surveyed who rate the quality of architecture and landscaping design/maintenance in new development in their neighborhood as good or better	70%	70%	60%	70%	70%
C. Increase the Number of Housing Units Developed in Greater Downtown Area	1. % of target for housing unit production completed in the Greater Downtown Area - For Sale - Rental	100% (3,000) N/A* N/A*	100% 100% 0%	111% (292 units) 100% 0%	100% (264 units) 100% 0%	100% (600 units) 59% 41%
D. Increase the City's Housing Unit Capacity	1. # of dwelling units added to the General Plan holding capacity annually 2. San Jose housing production compared to regional fair share number target (in parenthesis) 3. % of units receiving development permit approval compared to target (actuals in parenthesis) 4. % of affordable housing projects receiving building permits within 6 months of plan check submittal 5. % of affordable housing projects ready to be issued building permits within 6 months of plan check submittal	45,000 13,500 units (18,650) 100% (13,000 units) 65% 80%	6,630 3,000 units (3,730) 100% (3,000 units) 65% 70%	7,800 3,000 units (3,730) 100% (3,000 units) 34% (1 of 3) 67% (2 of 3)	4,500 3,000 units (3,730) 100% (3,000 units) 65% 80%	27,000 3,000 units (3,730) 100% (3,000 units) 65% 80%

Changes to Performance Measures from 2005-2006 Adopted Budget: No

* Currently no funding exists for private sector green building activities.

Coyote Valley Specific Plan: The City Council is also expected to consider the Coyote Valley Specific Plan (CVSP) in 2007. The CVSP is being prepared with extensive and inclusive community involvement, and is being guided by a 20-member citizen task force co-chaired by Council Members Forrest Williams and Nancy Pyle. Monthly study sessions have been scheduled to update the City Council on the progress of the planning process. The CVSP seeks to create a

new urban, pedestrian-friendly, transit oriented, mixed-use community that is sensitive to environmental considerations. The Plan is also creating a strategy to preserve the South Coyote Valley Greenbelt area as a permanent, non-urban buffer between the cities of San José and Morgan Hill. A draft Environmental Impact Report is being prepared, and is anticipated for circulation in fall 2006.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 3: Safe, Health, Attractive, and Vibrant Community (Cont'd.)

Timely and Predictable Development Process

By working together and seeking regular feedback from representatives of the development community, the City's development service partners - Planning, Building, Fire, and Public Works - have made significant improvements in performance and customer service in the past 3 years with an aim of creating a consistent, predictable, and timely development process. In addition, a package of fee increases implemented between 2002-2003 and 2004-2005 greatly increased the development service partners' financial stability.

Improving Performance: In the first quarter of 2005-2006, most of the development cycle time and quality performance measures declined from 2004-2005 levels. This period coincided with the packing and moving of all of the development service operation into City Hall. While the transition to City Hall was accomplished without closing the customer service counters, considerable staff time was devoted to purging, packing and moving. The 16% increase in service hours in the new building has also had a corresponding impact on permit processing times. For instance, to the extent Planning staff spends more time providing public information services at the customer service counter, there are less hours available for development review.

Cycle time and quality performance for Planning and Building rebounded in the 2nd quarter of 2005-2006, but has remained lower for Fire and Public Works. In the case of Fire, the August 2005 implementation of the new time-based fee methodology has generated enough revenue to pay for the additional staff resources needed to restore targeted performance levels in 2006-2007. One position was added at mid-year, and two additional positions were approved to be added in this budget. The revenue to cost shortfall in Public Works that developed over the three years since the program's last fee increase forced the Department to remove positions from the development fee program that would have helped maintain targeted performance levels. A fee increase package and the shift of two positions back into the Public Works Fee Program are included to address the staffing and performance issues.

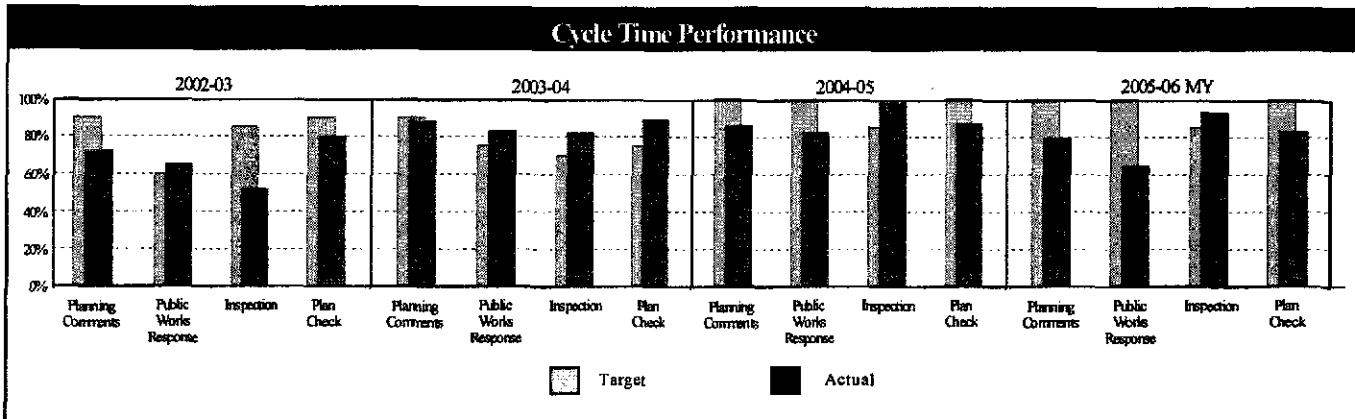
As predicted in the 2005-2006 Adopted Operating Budget, customer satisfaction numbers have shown a significant decline in this fiscal year. While this may indicate a real drop in customer satisfaction, it is more likely that the dissatisfaction of some customers was not being heard clearly in the past. The difference is the implementation of smart surveys that are generated automatically as project completions are logged in the Integrated Development Tracking System. Historically, those customers who are one-time participants in the development process rate the development process lower in terms of customer satisfaction than do customers who have more experience with the process in San José and other cities. Staff believes the e-surveys are doing a much better job of obtaining feedback from this less satisfied customer sector. In the past, survey respondents were few and far between, with satisfaction percentages sometimes generated by as few as 3 or 4 responses a quarter. Staff received close to 600 survey responses through the first two quarters of 2005-2006.

While satisfaction percentages are down, staff's feedback mechanism is vastly improved. The e-mail surveys have room for comments on specific issues and management can call unsatisfied customers who include phone numbers to get feedback on specific problems.

Communicating with Customers: An important component of the City's effort to improve outreach and obtain feedback has been the ongoing dialog with the San José Silicon Valley Chamber of Commerce Development Review Committee. In recent years, senior staff from Planning, Building and Code Enforcement, the Fire Department, the Department of Public Works, the Office of Economic Development, the Department of Transportation, and the Redevelopment Agency have proactively conducted outreach by attending the meetings of key industry groups to get feedback during the development of the Downtown Strategy 2000, the Citywide Traffic Level of Service Policy update, the North San José Development Policy Update, and the High-Rise and Unique Building Ordinance. In addition, staff holds regularly scheduled roundtable and technical meetings with the development industry.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 3: Safe, Health, Attractive, and Vibrant Community (Cont'd.)



Timely and Predictable Development Process (Cont'd)

Communicating with Customers (Cont'd): City staff met with the Chamber's Development Committee on March 16, 2006 to discuss service level and fee adjustment options. Since then, outreach meetings were held with development customers at the Construction Roundtable, the National Association of Industrial and Office Properties (NAIOP), the Home Builders Association of Northern California (HBA), and the local chapters of the American Institute of Architects (AIA) and the National Association of the Remodeling Industry (NARI). A follow-up meeting with the Chamber of Commerce Development Committee was held on April 14, 2006.

Service Levels and the Cost of Service: Public Works, Building and Planning have projected cost recovery shortfalls for 2006-07 ranging from 5.4% to 11.7%, and the combined 2006-2007 base shortfall for the development service partners is approximately \$3 million. Because Fire's fee methodology was adjusted last year, that program has a projected revenue surplus. As previously mentioned, Fire will be using the surplus funds to add staff that will boost performance to targeted levels. To facilitate the fee and service level discussion, customers were given cost and service impacts for four scenarios that range from cutting staff to balance the budget, to raising fees and using reserves to fund an enhanced level of service. The discussion also looked at a 5-year span covering the current fiscal year and the upcoming years through 2009-2010. It is estimated that costs for the development service

partners in 2009-2010, at a comparable activity level, will be approximately 25% higher than the revenue the current fees are generating.

The primary drivers for this projected 25% cost increase are salary and overhead increases (45%), retirement contributions (16.5%), fringe benefits (primarily health insurance costs) (6.7%), and office space (30%). Because the former City Hall building was paid for, there were no office space costs included in development fee calculations. In the new building, appropriate shares of debt service and M&O costs are allocated to the building's tenants and become part of each program's base cost in calculating fees. Recognizing the "all at once" cost impact that moving into the new City Hall would have on development fees, the City Manager approved a 5-year phase-in of this new cost into the development fee programs. This was a major reason for developing a 5-year picture of development fee costs.

While discussions with industry groups about desired service levels and the possibility of a four-year phased fee increase package are continuing, the 2006-2007 budget includes fee increases of 7% for Building, Planning and Public Works, and a 4.5% increase for Fire. The development services package also includes two positions each for Fire, Public Works and Planning to address performance, and an additional engineer for Building to improve consistency and customer service in the Customer Service Center. The establishment of the Industrial Tool Installation Program will facilitate improved customer service for existing high tech

Community and Economic Development

PERFORMANCE BY OUTCOME**Outcome 3: Safe, Health, Attractive, and Vibrant Community (Cont'd.)****Timely and Predictable Development Process (Cont'd)**

Service Levels and the Cost of Service (Cont'd): manufacturing and R&D facilities has resulted in the addition of two positions in Building and one position in Fire. In addition, a webmaster for the development services websites and some one-time non-personal/equipment for books and equipment were approved.

New Fee Methodology Expanded to Commercial and Industrial Projects: In July 2003, the Building Division implemented a new fee structure for residential projects. The fee structure is based on the time it normally takes to deliver service for that project type. The new methodology has two components: 1) an initial fee assessment based on the average service time invested in the particular product type; and 2) the establishment of a new time tracking methodology that

limits service to the amount paid for by the initial fee until additional time is purchased.

The Fire Department implemented both components of this new methodology in August 2005. The new time tracking component has been implemented across all sectors in Building fees, but the new initial fee assessment methodology has only been implemented for residential fees. The analysis of commercial and industrial projects, long delayed by the relative lack of activity in those sectors, has now been completed. The fee structure changes were included in the 2006-2007 Fees and Charges Report that was released in May.

For many of the larger commercial and industrial projects, the new fee methodology will generate a lower initial fee than was calculated on the valuation basis. In these cases, the lower initial fee will offset all or part of the impact of the approved 7% increase in staff hourly rates. Proposed ordinance changes to the Building refund policy that are related to this new fee methodology will be brought forward to Council for consideration this fall.

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
E. Provide Seamless and Effective Development Review Including Implementation of Environmental Regulations, in a Customer Friendly Fashion	1. % of projects that receive thorough, complete, consistent review in the first cycle of staff review					
	-Entitlement Process	90%	90%	96%	90%	92%
	-Construction Process	85%	80%	88%	80%	82%
	2. Ratio of current year fee revenue to fee program costs	100%	99%	100%	95%	96%
	3. Development projects completed within processing time targets:					
	-Entitlement Process	100%	100%	80%	100%	100%
	-Construction Process					
	-Plan Check	100%	100%	84%	100%	100%
	-Next Day Inspection	85%	85%	93%	85%	85%
	4. % of development services walk-in customers served in less than 30 minutes (wait time)	95%	New Measure	89%	95%	95%
	5. % of customers surveyed rating service as good or better	85%	80%	68%*	75%	80%
	6. % of customers surveyed who indicate the City provided coordinated and consistent information on their project (one voice)	85%	80%	65%**	75%	80%

Changes to Performance Measures from 2005-2006 Adopted Budget: Yes¹

¹ Changes to Performance Measures from 2005-2006 Adopted Operating Budget:

+ "% development services walk-in customers" measure was added as a Counter-to-Council recommendation. Efficient services are a goal for our customers, including those who walk in without an appointment.

City Service Area
Community and Economic Development
PERFORMANCE BY OUTCOME

Outcome 3: Safe, Health, Attractive, and Vibrant Community (Cont'd.)

Getting Families Back to Work: Staff is working on a number of initiatives as a direct result of Counter to Council and Getting Families Back to Work Council study sessions. These initiatives seek to improve customer service, streamline development permitting, and facilitate other improvements. An update on this activity and work effort was given to Council in early 2006 and additional updates will continue at periodic intervals.

All potential process improvements exceed the capacity of staff to deliver their implementation in a timely manner. Because of this, there will need to be additional prioritization of tasks or additional resources applied in order to accomplish all of the process improvements targeted for various customer groups.

Many improvements have already been achieved and staff continues to dialogue with customers to assess and meet their needs.

5 Year Strategic Goals	CSA Performance Measures	2007-2011 5-yr Goal	2005-2006 1-yr Target	2005-2006 Estimate	2006-2007 1-yr Target	2007-2008 2-yr Target
F. Economic and Neighborhood Development CSA delivers quality CIP projects on-time and on-budget	9. % of CIP projects delivered within or up to 2 months after approved baseline schedule	85%	85%	0% (0/1)	85%	85%
	10. % of projects completed within approved baseline budget	90%	90%	0% (0/1)	90%	90%
	11. % of project delivery costs compared to total construction costs for projects:					
	- less than \$500,000	31%	31%	35%	31%	31%
	- between \$500,000 and \$3,000,000	23%	23%	**	23%	23%
	- greater than \$3,000,000	15%	15%	**	15%	15%

Changes to Performance Measures from 2005-2006 Adopted Budget: No

Customer Service Improvements: The development process partners are working together to respond to Counter to Council feedback and address the needs of customers who are not familiar with the development process. The Small Business Ambassador Program is pulling staff from different disciplines to assist small business owners, and the Building Division is currently planning a reorganization that would serve small business and homeowners on the first floor, and create a team specifically for home remodels or rebuilds.

For all customers, the additional meeting rooms in City Hall are enabling the partners to bring the appropriate staff to the customer for preliminary reviews and coordinated plan checks. Customers can also anticipate a new web interface and the availability of more permits and documents online in 2006-2007.

Capital Improvement Projects

Performance in the Capital Improvement Program area did not meet targets due to external factors. The capital improvement project in the CED CSA was delayed due to a redesign requested by CalTrans. Costs for the project that was completed were over budget because of additional costs resulting from safety- and rain-related delays.

City Service Area

**Community and Economic Development
ADOPTED INVESTMENT CHANGES**

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
Outcome: STRONG ECONOMIC BASE			
<i>Business/Job Attraction, Retention, Expansion and Creation</i>			
<i>(Office of Economic Development)</i>			
• Economic Development Non-Personal/Equipment Efficiencies		(20,000)	(20,000)
• Continued Economic Development Enhancement Efforts	3.00	383,896	383,896
• Economic Development Administrative Staffing Reorganization	0.10	28,707	60,158
• Rebudget: Retail and Hospitality Activities		62,000	62,000
• Rebudget: Economic Impact Model and Survey		50,000	50,000
<i>Outdoor Special Events</i>			
<i>(Office of Economic Development)</i>			
• Economic Development Non-Personal/Equipment Reallocation		(10,000)	(10,000)
• Special Events Coordination	1.00	103,872	103,872
• Rebudget: Festival Grant Program		4,995	4,995
<i>Workforce Development</i>			
<i>(Office of Economic Development)</i>			
• One Stop Staffing	2.00	196,870	0
<i>Strategic Support (Office of Economic Development)</i>			
• Economic Development Administrative Staffing Reorganization	(0.10)	(10,484)	(10,484)
Subtotal	6.00	789,856	624,437

Outcome: DIVERSE RANGE OF EVENTS, ARTS AND CULTURAL OFFERINGS

Arts and Cultural Development

(Office of Economic Development)

• Economic Development Administrative Staffing Reorganization	(1.00)	(113,059)	(113,059)
• Organizational Development Grant and Emerging Arts Showcase		(105,000)	(105,000)
• Economic Development Non-Personal/Equipment Efficiencies		(48,000)	(48,000)
• Public Art Program Management	0.50	0	0
• Rebudget: Cultural Affairs Activities		124,000	124,000
Subtotal	(0.50)	(142,059)	(142,059)

Outcome: SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY

Development Plan Review and Building

Construction Inspection

(Planning, Building and Code Enforcement)

• In-Source Vehicle Maintenance Activities		(6,300)	(6,300)
• Planning Fee Program		10,000	10,000
• Building Fee Program	5.00	791,426	791,426

City Service Area

Community and Economic Development

ADOPTED INVESTMENT CHANGES

Adopted Core Service Changes (Cont'd.)	Positions	All Funds (\$)	General Fund (\$)
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Outcome: SAFE, HEALTHY, ATTRACTIVE AND VITAL COMMUNITY (Cont'd.)

Development Plan Review and Building

Construction Inspection (Cont'd.)

(Planning, Building and Code Enforcement)

• Rebudgets: Building and Planning Fee Program		540,850	540,850
Efficiency and Service Improvements			

Fire Safety Code Compliance (Fire)

• Fire Fee Program	3.00	359,149	359,149
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Long Range Land Use Planning

(Planning, Building and Code Enforcement)

• Comprehensive General Plan Update	2.00	100,520	100,520
• Annexation Implementation	1.00	195,301	195,301
• Special Long Range Planning Efforts	10.00	0	0

Regulate/Facilitate Private Development (Public Works)

• Public Works Program Support Fund Redeployment	(0.30)	(31,818)	(31,818)
• Public Works Non-Personal/Equipment Efficiencies		(7,385)	(7,385)
• Public Works Fee Program	2.00	274,548	274,548
• Developer In-Lieu Fee Fund Administration		200,000	200,000

Strategic Support (Fire)

• Fire Fee Program	0.00	0	0
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Strategic Support (Planning, Building and Code Enforcement)

• Telephone Funding Efficiencies		(50,000)	(50,000)
• Development Services Webmaster	1.00	101,324	101,324
• Computer Hardware/Software Replacement		97,100	97,100
• Planning, Building & Code Enforcement		20,000	20,000
Director Recruitment			
• Rebudgets: Website and Programming Assistance		138,000	138,000

<i>Subtotal</i>	23.70	2,732,715	2,732,715
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Other Changes

City-Wide Expenses (City-Wide)

• Arts Venture Fund		(216,735)	(216,735)
• Comprehensive General Plan Update		627,355	627,355
• Destination Event Marketing		200,000	200,000
• Veterans Day Parade (Festivals, Parades and Celebrations)		12,000	12,000
• Sports Opportunity Fund		100,000	100,000
• ZeroOne Festival Support		100,000	100,000
• Miscellaneous Rebudgets		3,721,786	3,721,786

General Fund Capital, Transfers, and Reserves (City-Wide)

• Transfers to Other Funds: Community Facilities Revenue Fund/Hayes Mansion Conference Center		4,200,000	4,200,000
• Earmarked Reserves: Hayes Mansion Conference Center Reserve Elimination		(3,900,000)	(3,900,000)

City Service Area

Community and Economic Development

ADOPTED INVESTMENT CHANGES

Adopted Core Service Changes (Cont'd.)	Positions	All Funds (\$)	General Fund (\$)
<i>Other Changes (Cont'd.)</i>			
<i>General Fund Capital, Transfers, and Reserves</i>			
<i>(City-Wide) (Cont'd.)</i>			
• Earmarked Reserves: California Theater Reserve Elimination		(750,000)	(750,000)
• Earmarked Reserves: Rebudgets		18,181,599	18,181,599
<i>Subtotal</i>	0.00	22,276,005	22,276,005
Total Core Service Changes	29.20	25,656,517	25,491,098

Service Delivery Framework

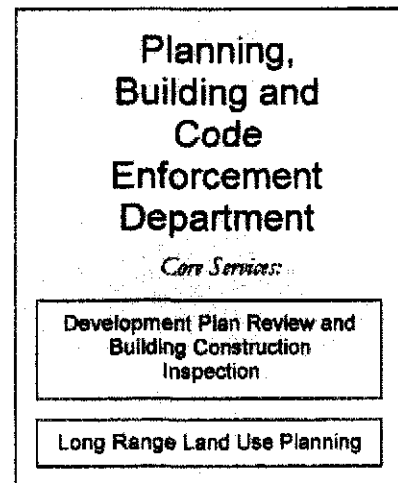
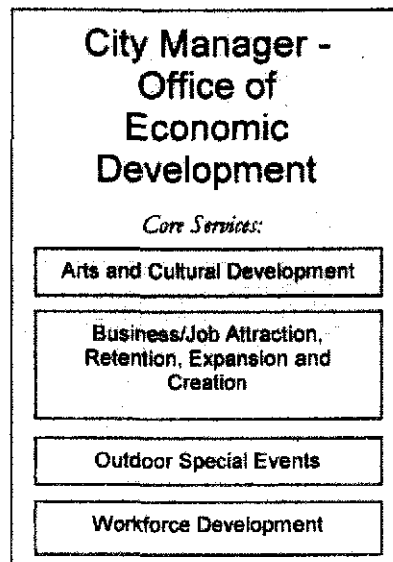
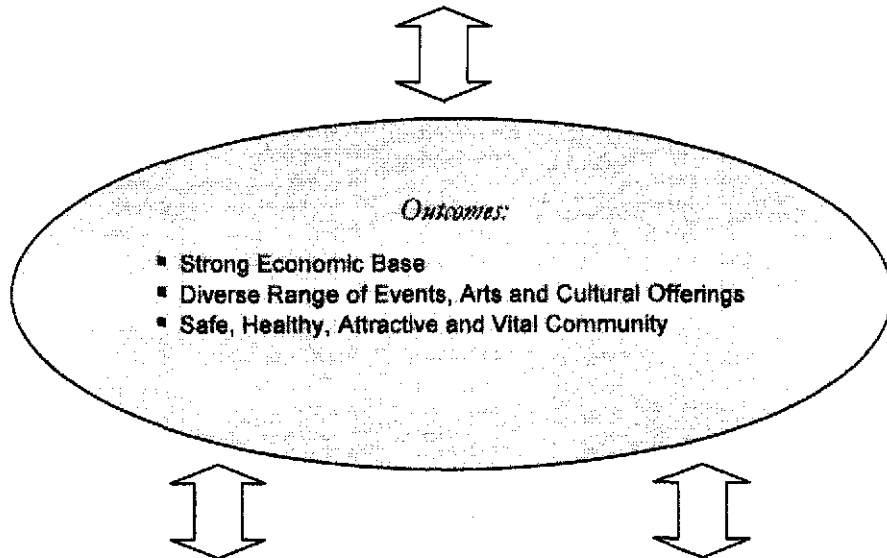
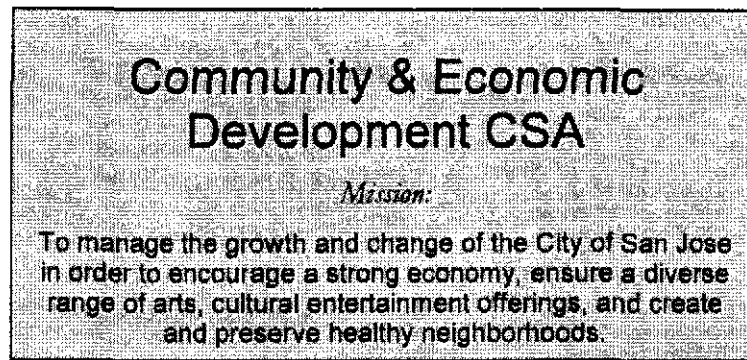
CITY SERVICE AREA
A cross-departmental collection of core services that form one of the City's 7 key "lines of business"

MISSION STATEMENT
Why the CSA exists

CSA OUTCOMES
The high level results of service delivery sought by the CSA partners

PRIMARY PARTNERS
Departments with Core Services that contribute to achievement of CSA Outcomes

CORE SERVICES
Primary deliverables of the organization



Service Delivery Framework

Community & Economic Development CSA (Cont'd.)

PRIMARY PARTNERS (CONT'D)
Departments with Core Services that
contribute to achievement of CSA
Outcomes

CORE SERVICES (CONT'D)
Primary deliverables of the organization

Fire Department

Core Services:

Fire Safety Code Compliance

Public Works Department

Core Services:

Regulate/Facilitate Private
Development

Convention Facilities Department

Core Services:

Convention Facilities

Redevelopment Agency*

Core Services:

Enhance the Quality and Supply
of the City's Housing Stock

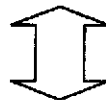
Initiate and Facilitate Private
Development

Initiate and Facilitate Public
Facilities and Spaces

Promote and Implement
Neighborhood Improvements
Strategies

* The San José Redevelopment
Agency (SJRA) Core Service budgets
are not part of the City's Operating
Budget.

OPERATIONAL SERVICES
Elements of Core Services; the "front-line"
of service delivery



STRATEGIC SUPPORT
Organization-wide guidance and support
to enable direct service delivery



Community and Economic Development CSA

Core Service: Arts and Cultural Development

City Manager – Office of Economic Development

Core Service Purpose

To develop and manage resources that support and build a diverse array of opportunities for cultural participation and cultural literacy.

Key Operational Services:

- | | |
|--|---|
| <input type="checkbox"/> Arts Grants | <input type="checkbox"/> Arts Education |
| <input type="checkbox"/> Arts Community Development | <input type="checkbox"/> Arts Planning and Development |
| <input type="checkbox"/> Public Art | |

Performance and Resource Overview

Prior to 2006-2007, the Arts and Cultural Development core service supported the *Vibrant Cultural, Learning and Leisure Opportunities* Outcome in the Neighborhood Services City Service Area (formerly known as the Recreation and Cultural Services City Service Area). In 2006-2007, this core service moved to the Community and Economic Development City Service Area and supports the *Diverse Range of Events, Arts and Cultural Offerings* outcome. This core service provides programs and activities that include grant funding and technical assistance to a diverse range of arts and cultural organizations; and facilitation of lifelong arts education opportunities for San José residents. Additionally, a public art program enhances public and private spaces throughout the City. The Office of Cultural Affairs (OCA) manages most of the City's arts-related programs and activities.

Beginning in 2005-2006, per Council direction, OCA became a division of the Office of Economic Development (OED). The new reporting structure, has offered opportunities for a fresh perspective on current programs and policies. It is anticipated that the creation in 2006-2007 of a new Cultural Development Strategy and a new Public Art Master Plan will further refine the City's arts and cultural development efforts and provide opportunities for new directions.

Art Grants

Arts grant programs are funded almost entirely by Transient Occupancy Tax (TOT) revenues. The bulk of grants provide general operating support to many San José arts organizations, while a lesser, but significant, amount of support is directed towards specific arts programs of arts organizations and other arts producers/presenters, such as social service and health care organizations, that do not receive operating support. In addition, a small number of technical assistance grants are issued to help arts organizations build capacity.

Arts grantees provide the community with the opportunities for cultural participation and cultural literacy, and thus have a significant impact on the quality of life in the City and on its attractiveness

Community and Economic Development CSA

Core Service: Arts and Cultural Development *City Manager – Office of Economic Development*

Performance and Resource Overview (Cont'd.)

Art Grants (Cont'd.)

to employers who choose to locate in San José. In addition, audiences for arts and cultural activities at downtown theaters, museums and galleries are a critical part of the restaurants' market, and in the instance of certain large festivals, the hotels as well.

The 2004-2005 year marked the lowest point in a three-year decline in total value of arts grants, triggered first by the steep fall in TOT revenues following the 'dot-com bust', then compounded by the subsequent decline in the General Fund. In 2005-2006 however, the total value of arts grants increased by nearly 13%. TOT revenues are projected to again increase (13%) in 2006-2007, allowing grants to continue their gradual resurgence. Nonetheless, a number of arts organizations will see a more challenging 2006-2007 as the result of the sale of the Knight Ridder Corporation, which led to the suspension of its very substantial financial support for the arts in this community. As a Knight Ridder subsidiary, the San Jose Mercury News ended its media sponsorship program, which results in a combination of less advertising exposure for arts organizations and an increase in costs to maintain some level of advertising in the region's major newspaper. In addition, the Valley Foundation, a long-time San José arts supporter, has suspended virtually all of its arts giving. As a consequence, OCA is anticipating that participation reported by grantees in their programs will at best hold steady in 2006-2007, after growing 8% from 2004-2005 to 2005-2006.

Arts Community Development

In 2005-2006, OCA nurtured two new ventures aimed at building greater cultural participation — one in a neighborhood setting, the other in the Downtown area. These initiatives replaced more resource-demanding arts development programs in 2004-2005. OCA's pilot joint venture with the Parks, Recreation and Neighborhood Services Department (PRNS) to place three small arts organizations in residence at the Hoover Community Center began to take root, as the organizations began to offer dance and music classes at workshops there, and also participated in a number of activities sponsored by the two neighborhood associations in the area. This joint venture is aimed at ensuring that the neighborhood enjoys a significant level of recreation and enrichment opportunities at Hoover, despite the need for PRNS to reduce its services.

In 2004-2005, OCA refocused a part of its arts development efforts toward building new and alternative arts audiences Downtown, and outsourced this new endeavor to a community partner, Arts Council Silicon Valley (ACSV), to pilot. The new arrangement required significantly less City funding and staff time than the program it replaced. After ACSV held its first edition of the new "Festival of Cultures" four-day arts showcase in June 2005, it used 2005-2006 to review its initial efforts, revise its plans, and lay the foundation for a careful assessment of the multi-year pilot. It will launch a revamped "Festival of Cultures" in 2006-2007.

Several exciting developments are anticipated in the South of First Area (SoFA), San José's designated arts and entertainment district. Ground should be broken sometime in 2006-2007 on the first high-rise housing complex in the area, just south of the California Theater. Negotiations should

Community and Economic Development CSA

Core Service: Arts and Cultural Development

City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Arts Community Development (Cont'd.)

be concluded with another developer that will eventually result not only in additional housing in SoFA, but also new and better homes for MACLA (Movimiento des Artes y Cultura Latino Americana) and San José Stage Company. The San José Institute of Contemporary Art should have moved into its new home, acquired with assistance from the Redevelopment Agency (RDA), just down the street from MACLA and San José Stage, and adjacent to the new Museum of Quilts and Textiles site.

In 2005-2006, OCA served as the catalyst for an effort by more than a half-dozen arts organizations and San José State University's School of Art and Design, working with the RDA, to develop a shared arts facility in the Martha Gardens Specific Plan area (Spartan Keyes SNI). Although this effort did not come to fruition, two of the organizations resumed their discussions with RDA and OCA. With the approval of their boards of directors, the two organizations have agreed to join forces in an effort to find a shared facility or facilities for their offices, shops and studios, focusing first in the Martha Gardens area.

As a result of the City's new economic development agreement with the Cambridgeshire/East of England region, OCA hosted a delegation from Arts Council England, East (ACEE) in 2005-2006. The visit launched a dialogue with the British around the development of a continuing cultural exchange. The first fruits of that dialogue will be the presence of several art projects from East England at the inauguration of San José's new arts and technology festival, *Zero One: A Global Festival of Art on the Edge*, in August 2006. In 2006-2007, OCA and ACEE will continue to shape an ongoing cultural exchange program, including opportunities for San José artists to be present in the East England region.

Arts Education

The arts education programs will continue to provide arts exposure and arts enrichment to thousands of San José school children. *Arts Express*, in which the City partners with dozens of local arts providers, provides area teachers with opportunities to bring pupils to performances of dance, music and theater, and art exhibition tours; and to have artists visit classrooms. OCA also manages the arts-enrichment component at Level Three sites in San José After School (SJAS), the City's key after-school program. Participating students benefit from hands-on arts learning, usually in multi-session arts workshops that are led by teaching artists (using curriculum that conforms to the California Department of Education's standards for the visual and performing arts). As resources do not exist to significantly expand the number of workshop opportunities, OCA will continue to focus on improving the quality of children's experiences through monitoring, evaluation and training. OCA will also continue to develop and offer arts-related training opportunities for the City's SJAS staff.

Community and Economic Development CSA

Core Service: Arts and Cultural Development *City Manager – Office of Economic Development*

Performance and Resource Overview (Cont'd.)

Arts Planning and Development

The City's cultural master plan, the *20/21 Regional Cultural Plan*, will expire in 2006-2007. During 2006-2007, one of OCA's major undertakings will be the development of a successor strategy which will focus on what the City must do to anticipate and meet the cultural needs of San José residents. The new Cultural Development Strategy will align with the City's economic development strategies. Outreach during development will include community partners, residents, City departments and agencies, to ensure a comprehensive Cultural Development Strategy.

Public Art

A new Public Art Master Plan is currently being developed and will be presented to the City Council in 2006-2007. The plan will build upon lessons learned through the City Auditor's 2005 Public Art Program audit, and will explore means to expand public art into planned development in North San José, Coyote Valley and Evergreen; SNI and other neighborhood-based planning efforts; and new Downtown development. A community steering committee of over 40 individuals is participating in this effort.

The Public Art Program has been expanding its local artist grooming efforts and is developing a series of small-scale and temporary public art projects that act as training opportunities for San José artists. The Program is in its third cycle of working with art students at San José State University to develop neighborhood-based public art projects. The Program also is refining its community development efforts to create more meaningful interactions between communities and developing public art projects.

The absolute number of active public art projects will continue to grow by at least 10 percent over the next year due to capital projects including Airport expansion and bond-funded parks, recreational facilities, branch libraries and fire stations. An updated count of the City's public art collection shows more than 200 completed projects, some of which contain multiple artworks. Due to a shortage of funding and staff resources, maintenance and conservation of the collection has been minimal. Consequently, the 2005-2006 estimate for 78% of artworks in excellent conditions remains in place, reflecting the continual aging of the collection.

As the Program expands, it is developing a conservation plan for its existing artworks. In 2006-2007, a team of conservators will evaluate and make conservation recommendations on the care of the public art collection. These assessments will assist OCA to conduct its maintenance program and to plan for future maintenance needs.








A significant multi-year undertaking of Public Art staff is the development and implementation of an ongoing exhibitions program for City Hall, as recommended by the Arts Commission and adopted by City Council on March 1, 2005. The initial installation by History San José has been enjoyed by thousands of City Hall visitors on a daily basis.

Community and Economic Development CSA

Core Service: Arts and Cultural Development

City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Arts and Cultural Development Performance Summary	2004-2005 Actual	2005-2006 Target	2005-2006 Estimated	2006-2007 Target
 % of San José students (grades K-12) participating in OCA-sponsored arts education programs	15%	15%	15%	15%
 % of public art pieces that are in good to excellent condition based on their physical and operational condition	78%	78%	78%	80%
 % of change in attendance at grant funded programs compared to previous year %	-11%	+8%	+8%	+3%
 Grant expenditure per attendee	\$1.10	\$1.10	\$1.18	\$1.23
 Ratio of City grant funding to all other revenue sources (all grantees)	\$1:\$30	\$1:\$20	\$1:\$25	\$1:\$25
 % of funded cultural organizations rating funding process good to excellent based on responsiveness, timeliness, and integrity	96%	90%	90%	90%
 % of residents rating City efforts at supporting a diverse range of arts and cultural activities in the City as good or excellent	53%	55%	54%	54%

Changes to Performance Measures from 2005-2006 Adopted Budget: No

Activity & Workload Highlights	2004-2005 Actual	2005-2006 Forecast	2005-2006 Estimated	2006-2007 Forecast
Number of students served by arts education	19,073	19,500	19,000	19,000
Number of arts grants awarded and monitored	67	70	110	100
Grant expenditures	\$1,942,728	\$2,115,000	\$2,188,800	\$2,334,000
Number of City funded cultural organizations	59	57	58	58
Attendance at Grantee Programs	1,718,332	2,100,000	1,850,000	1,900,000
% of ethnic groups represented in grants program	35%	36%	35%	35%
Number of Public Art Works in collection	160	167	204	225

Changes to Activity & Highlights from the 2005-2006 Adopted Budget: No

Community and Economic Development CSA

Core Service: Arts and Cultural Development City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Arts and Cultural Development* Resource Summary	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Forecast 3	2006-2007 Adopted 4	% Change (2 to 4)
Core Service Budget **					
Personal Services	\$ 991,066	\$ 1,459,949	\$ 1,648,704	\$ 1,606,068	10.0%
Non-Personal/Equipment	329,336	793,078	440,190	340,767	(57.0%)
Total	\$ 1,320,402	\$ 2,253,027	\$ 2,088,894	\$ 1,946,835	(13.6%)
Authorized Positions	13.00	13.50	13.50	13.00	(3.7%)

* Prior to 2006-2007, the Arts and Cultural Development appeared in the Recreation and Neighborhood Services City Service Area (now known as the Neighborhood Services City Service Area).

** The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
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DIVERSE RANGE OF EVENTS, ARTS AND CULTURAL OFFERINGS

- Economic Development Administrative Staffing Reorganization** (1.00) (113,059) (113,059)

The reallocation of a vacant Senior Analyst in the Arts and Cultural Development core service to the Business/Job Attraction, Retention, Expansion and Creation core service was approved as part of this budget. This reallocation will provide the Office of Economic Development with oversight over department-wide activities. A corresponding action is included in the Business/Job Attraction, Retention, Expansion and Creation core service. The addition of an Analyst in the Public Art Program, as discussed later in this section, will provide this core service with the appropriate level of staff support. (Ongoing savings: \$113,059)

Performance Results:

No change in current service levels will result from this action.

Community and Economic Development CSA

Core Service: Arts and Cultural Development

City Manager – Office of Economic Development

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
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DIVERSE RANGE OF EVENTS, ARTS AND CULTURAL OFFERINGS (CONT'D.)

- | | | | |
|--|--|-----------|-----------|
| 2. Organizational Development Grant and Emerging Arts Showcase | | (105,000) | (105,000) |
|--|--|-----------|-----------|

This action eliminates General Fund funding for the Organizational Development Grant and Emerging Arts Showcase. The Organizational Development Grant Program has provided technical assistance grants and scholarships to arts and cultural organizations. The Emerging Arts Showcase Program provided funding for a variety of cultural-specific performances seeking to build new and alternative arts audiences in downtown venues. As recommended by the Arts Commission, the City Council approved to fund the Organizational Development Grant Program from the Transient Occupancy Tax Fund. For the Emerging Arts Showcase Program, with the term of agreement with the Arts Council Silicon Valley extended through 2006-2007, no funding for this Program is required in 2006-2007. Funding consideration for the Emerging Arts Showcase Program will be brought forward to the Arts Commission during the 2007-2008 cultural grants program. (Ongoing savings: \$105,000)

Performance Results:

No change in current service levels will result from this action.

- | | | | |
|---|--|----------|----------|
| 3. Economic Development Non-Personal/Equipment Efficiencies | | (48,000) | (48,000) |
|---|--|----------|----------|

This action reduces the non-personal/equipment budget for general administration, equipment, assessment and evaluation. (Ongoing savings: \$48,000)

Performance Results:

Minimal changes to current service levels are anticipated to result from this action.

- | | | | |
|----------------------------------|------|---|---|
| 4. Public Art Program Management | 0.50 | 0 | 0 |
|----------------------------------|------|---|---|

The elimination of a vacant part-time Analyst, the reduction in non-personal/equipment funding, offset by the addition of a full-time Analyst, was approved. As recommended by the City Auditor, the Analyst position will manage the public art program. (Ongoing costs: \$0)

Performance Results:

Quality The Analyst position will provide required level of oversight for the complex public art budget.

Community and Economic Development CSA

Core Service: Arts and Cultural Development

City Manager – Office of Economic Development

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
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DIVERSE RANGE OF EVENTS, ARTS AND CULTURAL OFFERINGS (CONT'D.)

5. Rebudget: Cultural Affairs Activities 124,000 124,000

The rebudget of unexpended 2005-2006 funds will allow for the completion of the following activities: Neighborhood Arts Center evaluation, upgrade of Website and Information Technology capacity, international cultural exchange, and planning for Japantown Cultural Facility. (Ongoing costs: \$0)

Performance Results: N/A (Final Budget Modification)

2006-2007 Adopted Core Service Changes Total	(0.50)	(142,059)	(142,059)
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Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Core Service Purpose

Promote business by providing assistance, information, access to services, and development permit facilitation.

Key Operational Services:

- | | |
|---|---|
| <input type="checkbox"/> Economic Development Strategy | <input type="checkbox"/> San José Enterprise Zone |
| <input type="checkbox"/> Corporate Outreach | <input type="checkbox"/> International Programs |
| <input type="checkbox"/> Small Business Assistance | <input type="checkbox"/> Retail Attraction and Retention |
| <input type="checkbox"/> Loan Programs | |

Performance and Resource Overview

The Office of Economic Development (OED) manages a comprehensive program designed to strengthen the economy of San José. Specific goals include increasing resources for businesses, expanding the City's tax base and increasing corporate locations in San José. The Office is responsible for providing and leveraging services for small businesses and for assisting in the retention, expansion, and attraction of business. Specific targets encompass a range of diverse businesses including corporations, retailers, industrial suppliers/services, and manufacturers. Highlights of the Office's programs are listed below.

Economic Development Strategy

On an ongoing basis, OED provides information and perspective about the San José/Silicon Valley economy for City decision makers, including the Mayor, Council, and Executive/Senior Staff. The Office also provides economic information to the City's economic development partners and the community at large.

In 2003-2004, the Office led the development of an economic strategy to guide City policy, investments, and partnerships over the next five years. The strategy established an achievable vision of how San José can excel economically, and key actions required by the City and its partners (private, public, non-profit) to achieve the vision. San José cannot continue to be a great community without a strong, resilient economy. The San José/Silicon Valley region has exceptional rates of productivity and a highly educated workforce, but faces aggressive competition from other communities in the Bay Area, nationally, and globally.

The strategy provides a broad vision of the city's economic future and 15 initiatives that build on San José's strengths. The vision stresses the reinforcement of San José's identity as the Capital of Silicon Valley through the savvy use of technology and enhancement of its entrepreneurial environment. San José's role as a creative community and global business gateway will be an

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Economic Development Strategy (Cont'd.)

important element in positioning San José as the world's most livable big city providing opportunities for all its residents.

Some highlights of the Strategy implementation include:

- **Additional Retail Attraction (ED13).** Continued augmentation in this area will permit additional attraction efforts to provide residents with more convenient services, help overcome San José's retail leakage to other communities and increase City revenue for community services.
- **Communicating a Compelling Community Identity (ED14).** San José's ability to attract additional investment depends on the local, national and international impressions of the community's identity.
- **Development Facilitation of Job- and Revenue-Generating Company Expansions and Relocations (ED6).** The additional assistance that companies receive in San José provides the City with a competitive edge as the local economy begins to recover.
- **Develop Strategic Partnerships with San José State University (SJSU) and Other Universities to Drive Innovation and Economic Impact (ED3).** The launch of the MLK Library demonstrated the power of City-University collaboration to drive economic impact and livability improvements; and the City and SJSU have identified other priority areas for collaboration such as land use.
- **Evolve and Position Downtown as a Unique Creative and Cultural Center of Silicon Valley (ED4).** Signature downtown events such as the San José Grand Prix, eBay Live and the ZeroOne International Arts Festival continue to build San José's regional, national and international recognition. The expansion of downtown housing reinforces the area's ability to provide a distinct urban character for the development of a larger creative community.
- **Support Start-Up and Growth of Local Businesses, Small and Large, in Technology as well as Non-Technology Fields (ED5).** Continued efforts to retain and develop new resources for expanding businesses such as incubators, technical assistance centers and access to capital will encourage a faster economic recovery.
- **Diversify San José's Economic Base and Preserve/Create Middle-Income Jobs (ED8).** Land use and economic development policies to encourage a wide variety of industries that will support greater resilience in the local economy.

In 2005-2006, one-time funding was provided for resources to aggressively implement the San José Economic Development Strategy. For 2006-2007, ongoing funding for three Economic Development Officer positions were approved in order to continue efforts towards pursuing additional revenue and achieving the higher level of focus necessary to realize the promise of the Economic Development Strategy.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Corporate Outreach

Businesses seeking to locate or expand in San José often contact the City through the Office of Economic Development. OED staff works with other City departments to make the expansion or development process as smooth as possible for the company. The response typically requires researching potential sites, providing information or coordinating and facilitating meetings. OED meets with companies, including significant and growing job/revenue-generators, on a proactive basis to get their views on the City's strategy and initiatives and to identify areas requiring City action. As part of the Economic Strategy Process, OED met individually with senior executives from 50 key companies. These efforts are complemented by a city-wide effort, the Business Appreciation Initiative, in which Department Directors and other account managers visit key companies to promote mutual understanding and early problem solving.

In 2005-2006, an estimated 9,500 jobs were created or retained by assisted companies. Despite changes in opening dates of shopping developments, OED actions to promote or assist businesses resulted in \$1.5 million in additional tax revenues generated. Additional staff approved in the budget are expected to significantly increase the City's capacity to generate new jobs and additional revenue for City services though there will be some delay as large projects make their way through the development process. In addition, the Special Tenant Improvement Program has been a particularly valuable tool in encouraging the early occupation of vacant industrial and R&D space as well as commercial office space in downtown San José resulting in 35 projects and over 1.4 million square feet of development in 2005.

Small Business Assistance and Loan Programs

In addition to efforts to encourage corporate expansion and attraction, OED plays a role in stimulating the growth of small businesses. Efforts in this area range from business fairs, such as the annual Money Talks event, to financial support of local chambers of commerce and business loan programs.

The City has contracts with six small business chambers of commerce to provide activities of benefit to San José small businesses. City funding provides business owners of underserved communities with direct chamber support and alternative avenues for finding out about City and other assistance services. These contracts encourage direct technical assistance, workshops, networking and other company fostering activities as well as referrals to the Workforce Investment Network and Enterprise Zone programs for employee recruitment and hiring tax credits. This year the City will also enter into an agreement with Pacific Coast Ventures to provide business counseling.

The San José Silicon Valley Chamber of Commerce has also provided assistance in establishing the Cambrian Valley Business Association, Camden Business Association and reinvigorating the Winchester Business Association. The new organizations are largely independent groups discussing local business concerns and serving as a central point of contact for City outreach.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Small Business Assistance and Loan Programs (Cont'd.)

Two loan programs administered by OED are the Revolving Loan Fund (RLF) and the Development Enhancement Special Fund (DESF). The RLF provides funds to small businesses in the amount of \$10,000 to \$40,000 for working capital, equipment and other purposes. The DESF provides loan guarantees and direct loans to businesses in the amount of \$40,000 to \$300,000 for business expansion, equipment, working capital and other normal business uses. These programs provide loans to businesses that have sound business practices, but due to being a start-up or past credit history, are normally unable to obtain private sector financing. In addition, the Redevelopment Agency has restarted the Small Business Loan Program with an infusion of \$250,000 to fund loans to downtown businesses which are administered by OED staff.

In an effort to enhance the economic impact for San José's small business community, OED is developing a new program that will further leverage City loan monies to replace the DESF. This Economic Development Catalyst Program will provide financial services, technical assistance and information targeted to job generating companies with high growth potential. While the Development Enhancement Special Fund (DESF) was an important tool for financially assisting the small business community through its loan guarantees, actual leverage and return on investment were weak when compared to the potential involved with the Catalyst Fund, where it is expected to leverage up to 6:1 and provide an ROI of 15%, while at the same time generating increased jobs and sales tax revenues. Further, the City would be able to participate in the equity return, while loan guarantees and direct loans only provide minimal interest income and fees.

To maximize the amount of money available to allow the establishment of the new program, OED has adopted a position of capital preservation in the DESF while the Catalyst Program is under development. Performance in the coming year is expected to recover as the Catalyst Program proposal is finalized and as additional money in the RLF program allows for loosening of credit or lower interest rates (prime rate increases and a sluggish economy have deterred many potential borrowers in 2005-2006).

San José Enterprise Zone

Businesses within the 18 square-mile Enterprise Zone in central San José are eligible for State tax credits and incentives. In addition to hiring tax credits, benefits of locating in the Enterprise Zone include: sales tax credits on the purchase or lease of manufacturing and communications equipment; accelerated depreciation; net operating loss carryover as well as a net interest deduction for lenders.

Enterprise Zone companies can receive tax credits for hiring individuals from one of 13 eligibility categories. The hiring tax credit can lower the company's state tax liability per eligible employee by as much as \$31,590 over a five-year period. Since the beginning of the program in 1986, the State has provided an estimated \$30 million in business tax credits to San José businesses. The program has been a significant tool in helping OED attract and retain companies and create jobs in San José, especially the Downtown area and in the Monterey Corridor.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation

City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

San José Enterprise Zone (Cont'd.)

The Office of Economic Development and partners estimate that a total of 1,300 hiring tax credits will be issued to businesses within the Enterprise Zone during 2005-2006. This year, the Enterprise Zone program focused its outreach and marketing on small businesses with less than 35 employees. This strategy resulted in a 30% increase in the number of businesses participating but, with fewer employees per business, small businesses have fewer requests for vouchers than the mid to large companies that were targeted in 2004-2005.

The Enterprise Zone program is scheduled to expire in December 2006. The City has been vigorously working with key California legislators to modify the current legislation to allow an additional five-year extension. Any extension is likely to require that the geographical boundaries of the Zone be significantly reduced to those commercial and industrial areas that are adjacent to residential areas with above average poverty rates, high unemployment and other criteria indicating economic distress.

International Programs

International business activity continues to be strong with OED hosting or facilitating nearly 20 delegations representing business interests from throughout the world. Foreign delegations are often exploring the possibility of establishing a business in the region and hosting them is an effective way to make sure they consider San José as their final location. San José's innovative government has also attracted international attention and OED often organizes meetings with the Mayor, council offices and other city departments.

The Office of Economic Development is responsible for the Sister Cities Program and has worked this year to restructure the program to increase participation and visibility. OED hosted visits by officials from San José's sister cities including the delegation that came to celebrate the 20th anniversary of the San José – Dublin Sister City relationship.

Activity with San José's federally designated Foreign Trade Zone increased to over \$154 million in 2004-2005. Zone activity is expected to increase further when the City's application for Subzone user is approved and operations commence.

The City's Economic Development Strategy includes an initiative to develop and open strategic economic partnerships with a select number of innovation regions across the globe that are key centers of technological innovation. Following the signing of an agreement with Cambridgeshire/East of England in 2005, the Office of Economic Development has worked with officials in the United Kingdom to strengthen two-way trade, investment and economic relations. Economic partnership agreements are being explored with Espoo, Finland, and Munich, Germany, key centers of innovation and inward investment. Staff will also focus on future strategic partnerships with India and China, nations that are experiencing strong economic growth and key export markets for San José and California companies.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Retail Attraction and Retention

The Office of Economic Development works to encourage retail development to increase the products and services available to residents and enhance their quality of life. For instance, Santana Row, Oakridge Mall, Eastridge Mall, Westgate Mall, "The Plant" on the old GE site and the Market Center have all completed improvements, or are undergoing or considering improvements, facilitated by OED. Other significant retailers are opening or pursuing new sites in San José including Kohl's, Walmart, Lowes, and Target. Auto dealerships assisted by OED in making improvements include Beshoff Motors, Smythe European, Behel/Porsche/Audi/Honda Stevens Creek, Volkswagen Stevens Creek and Toyota Stevens Creek.

The additional staffing approved in this budget are expected to significantly increase the City's capacity to generate new jobs and additional revenue for City services by assisting in the effort to encourage retail development in San José.

Revenue Generation

While revenue generation is not a program area but rather an outcome of the City's Corporate Outreach and Retail Attraction and Retention efforts, some of the key performance measures related with this core service are associated with revenue. With lower sales tax figures being reflected in these, some explicit explanation may be useful.

Sales/Use Tax revenues that result from OED activities, have not achieved the targets set for 2005-2006. For 2006-2007, with staffing additions in this area, the ratio of sales/use tax revenue generated per OED expenditure is also projected to fall to a 5:1 ratio in the short-term.

Project delays and lower than expected returns have resulted in shortfalls relative to the target. Tax generation from the three following projects with a sales tax impact of \$2.7 million dollars have not matched expectations: the Costco on Automation Parkway off of Hostetter, the GE property off of Curtner Avenue and Calpine's use tax designation for equipment purchases. Additional revenue from Costco is now expected in 2006-2007 and from the GE property in 2007-2008.







Despite significant investments, the repositioning of Eastridge Mall has yet to generate new City revenue. Since new tax generation is only tracked for the first year, the lack of a quick turn-around will result in lower performance in this measure.

With the addition of new staff focused on encouraging business attraction and expansion, additional revenue generation is expected to begin to flow into the City in 2007-2008 after the target projects have completed their development process.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Business/Job Attraction, Retention Expansion and Creation Performance Summary	2004-2005 Actual	2005-2006 Target	2005-2006 Estimated	2006-2007 Target
 Number of jobs created or retained by assisted companies	6,000	10,500	9,490	9,000
 Number of jobs created or retained by chambers of commerce assisted companies	78	100	65	50
 Percent increase in dollars lent through the Revolving Loan Program (RLF)	-37%	11%	-11%*	32%
 Ratio of Sales/Use Tax revenues generated by assisted companies per OED expenditure	25:1**	15:1	7:1***	5:1***
 Percentage of requests for assistance responded to within one work day	96%	92%	97%	93%
 Percentage of customers rating quality of assistance provided as good or excellent	85%	95%	97%	95%

Changes to Performance Measures from 2005-2006 Adopted Budget: No

* Rising prime rates and sluggish small business growth have discouraging applications

** Reflects Sales Tax Only

*** Delayed revenue generation combined with increased expenditures lower this ratio

Activity & Workload Highlights	2004-2005 Actual	2005-2006 Forecast	2005-2006 Estimated	2006-2007 Forecast
Sales/Use Tax revenues generated by OED actions	\$3.7M	\$4.0M	\$1.5M*	\$1.5M
\$'s made available to San José businesses	\$0.5M	\$1.1M	\$0.3M**	\$0.8M
Number of companies receiving permitting assistance	53	75	55	100
Number of meetings with foreign firms regarding operating in San José	New Measure	40	20***	25***
Number of job placements resulting from Enterprise Zone vouchers	1,900	2,000	1,300	675

Changes to Activity & Workload Highlights from 2005-2006 Adopted Budget: Yes¹

¹ Changes to Activity & Workload Highlight from 2005-2006 Adopted Operating Budget:

○ "Number of delegations/groups hosted/facilitated" was changed to "Number of meeting with foreign firms regarding operating in San José". The number of delegations assisted does not significantly address the Economic Development Strategy objectives with regard to International outreach and job generation. Foreign firms contacted will better address these goals.

* Large shopping developments were delayed in coming on line and sales per square foot at new malls were below company estimates. OED only counts new revenue for one year.

** Funds being conserved to capitalize the Catalyst initiative.

*** Delegations limited to core most likely to result in benefit to the City of San José.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Performance and Resource Overview (Cont'd.)

Business/Job Attraction, Retention, Expansion and Creation Resource Summary	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Forecast 3	2006-2007 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 1,344,898	\$ 1,473,894	\$ 1,183,805	\$ 1,586,408	7.6%
Non-Personal/Equipment	182,597	653,343	505,733	607,733	(7.0%)
Total	\$ 1,527,495	\$ 2,127,237	\$ 1,689,538	\$ 2,194,141	3.1%
Authorized Positions	8.80	12.80	8.80	11.90	(7.0%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
-------------------------------------	------------------	---------------------------	------------------------------

STRONG ECONOMIC BASE

- | | | |
|---|----------|----------|
| 1. Economic Development Non-Personal/Equipment Efficiencies | (20,000) | (20,000) |
|---|----------|----------|

This action reduces the non-personal/equipment budget for consulting and special projects.
(Ongoing savings: \$20,000)

Performance Results:

No change in current service levels will result from this action.

- | | | | |
|---|------|---------|---------|
| 2. Continued Economic Development Enhancement Efforts | 3.00 | 383,896 | 383,896 |
|---|------|---------|---------|

Ongoing funding for 3.0 Economic Development Officer positions added in 2005-2006 was approved to continue current efforts toward job and revenue generation activities. The continuation of funding is necessary to implement the San José Economic Development Strategy. (Ongoing costs: \$392,046)

Performance Results:

Quality Increased revenue and jobs from pursuing San José Economic Development Strategy.

Community and Economic Development CSA

Core Service: Business/Job Attraction, Retention, Expansion and Creation
City Manager – Office of Economic Development

Budget Changes By Core Service (Cont'd.)

Adopted Core Service Changes	Positions	All Funds (\$)	General Fund (\$)
STRONG ECONOMIC BASE (CONT'D.)			
3. Economic Development Administrative Staffing Reorganization	0.10	28,707	60,158
<p>This action includes the approved reallocation of a vacant Senior Analyst position from the Arts and Cultural Development core service, the realignment of \$10,000 in non-personal/equipment funding from the Outdoor Special Events core service, and the elimination of a vacant Analyst (0.90) position in this core service. The reallocation of the Senior Analyst position will provide the Office of Economic Development with oversight over department-wide activities and will mitigate the elimination of a vacant Analyst position. (Ongoing costs: \$28,707)</p>			
Performance Results:			
Quality The Senior Analyst position will provide the Department with dedicated resources to manage department-wide activities.			
4. Rebudget: Retail and Hospitality Activities		62,000	62,000
<p>The rebudget of unexpended 2005-2006 funds will allow for the completion of activities related to hospitality events and hiring of a retail consultant. (Ongoing costs: \$0)</p>			
Performance Results: N/A (Final Budget Modification)			
5. Rebudget: Economic Impact Model and Survey		50,000	50,000
<p>The rebudget of unexpended 2005-2006 funds will allow for the completion of an Event Economic impact Model and the completion of a Summer 2006 Economic Survey. (Ongoing costs: \$0)</p>			
Performance Results: N/A (Final Budget Modification)			
2006-2007 Adopted Core Service Changes Total	3.10	504,603	536,054

Economic and Neighborhood Development CSA

Core Service: Convention and Cultural Facilities

Convention Facilities Department

Core Service Purpose

To ensure that San José's Convention Center and Cultural Facilities are effectively managed to reduce costs, improve the local economy, and add value to customers, residents, workers, and businesses within the City of San José.

Key Operational Services:

- ☐ **Sales and Marketing**
- ☐ **Event Services**
- ☐ **Technical Services**
- ☐ **Food and Beverage Services**

- ☐ **Facility and Infrastructure Maintenance**
- ☐ **HVAC, Electrical, and Cogeneration Services**

Performance and Resource Overview

The Convention and Cultural Facilities (CCF), managed by Team San José (TSJ), continue to fuel the local economy by driving guests to local hotels, restaurants, arts groups, and other hospitality businesses. Team San José's innovative and flexible business model is a unique partnership that benefits both the public infrastructure and the private business community. San José is becoming a more competitive and attractive venue for conferences and events.

The McEnery Convention Center was the venue of choice for a wide range of exhibitions, trade shows and conferences. Technology conferences such as the RSA Security Conference, Embedded Systems Conference, and Photonics Conference have returned for yet another year. The Harvest Festival brings together crafters and holiday shoppers. The San José Auto Show attracts thousands of new car buffs every year. And Hot Import Nights brought in a younger automotive demographic focused on customized vehicles to the South Hall.

The CCF's theaters, with their individual characters, attracted a diverse group of performances. The CPA is the home of the American Musical Theater of San José and Ballet San José/Silicon Valley, and the venue for such shows as *Gypsy*, *The Wizard of Oz*, *Little Women*, and *Phaedra and Firebird*. The Montgomery Theater is the home of the Children's Musical Theater of San José, who has presented *Jesus Christ Superstar*, *Sleeping Beauty* and *Les Miserables*. The Civic Auditorium was the venue for musicians Billy Idol, Beck and Snoop Dogg, and comedian Ron White. And the California Theater, at the home of Opera San José, has drawn audiences in with its magnificently restored interior and performances of *The Crucible* and *La Boheme*.

TSJ was on track to bring 500 events to the Convention Center Complex in 2005-2006, and with those events, approximately one million attendees. As a result, TSJ estimated gross revenue of approximately \$8.27 million, nearly \$1.25 million more than its actual gross revenue for 2004-2005.